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ABSTRACT

An evaluation was conducted of Vermont's Welfare Restructuring Project (WRP), one of the earliest statewide welfare reform programs designed to increase work and reduce reliance on welfare. To assess the difference WRP made, parents applying for or receiving cash assistance in Vermont from July 1994 to December 1996 were assigned randomly to one of these three groups: WRP group that received financial work incentives and were subject to work requirements (full WRP group); WRP Incentives Only group that received the incentives but were not subject to the work requirement; and Aid to Needy Families with Children (ANFC) group subject to pre-WRP welfare rules (no incentives or work requirement). Groups were followed for six years, using computerized records and survey methods. Findings indicated the following: (1) the full WRP program increased employment and reduced reliance on cash assistance for single-parent families; (2) WRP had little effect on family income, material hardship, children's school performance, or other family and child outcomes; (3) the program's work requirement was needed to generate impacts--financial incentives alone did not lead to increases in employment or income; (4) WRP increased employment among most subgroups, and increases were largest for the most disadvantaged; (5) very few community service employment positions were needed for the work requirement; (6) it saved money for taxpayers; and (7) WRP did not affect employment, earnings, income, material hardship, or outcomes for children for two-parent families with an unemployed parent. (Contains 26 references.) (YLB)

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Final Report on Vermont's Welfare Restructuring Project

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Manpower Demonstration Research Corporation

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Overview

Vermont's Welfare Restructuring Project (WRP) was one of the earliest statewide reform programs initiated under waivers of federal welfare rules granted before the passage of the 1996 federal welfare reform law. Operating statewide from 1994 to 2001, WRP required single-parent welfare recipients to work in a wage-paying job after they had received cash assistance for 30 months, and it offered minimum-wage community service jobs to those who could not find regular, unsubsidized jobs. If a recipient did not comply with the work requirement, the state took control of her grant, used the money to pay her bills, and required her to attend frequent meetings at the welfare office. The program also included modest financial work incentives to encourage and reward work. Vermont's current welfare program shares many features with WRP.

MDRC evaluated WRP under contract to the State of Vermont. Between 1994 and 1996, welfare applicants and recipients were assigned at random to WRP or to the Aid to Needy Families with Children (ANFC) group, which remained subject to the prior welfare rules. (A third group received WRP's incentives but was not subject to the work requirement.) WRP's effects were estimated by comparing how the groups fared over a six-year follow-up period.

Key Findings

- **WRP increased employment and reduced reliance on cash assistance for single-parent families.** The WRP group was slightly more likely to work than the ANFC group initially, and the difference grew much larger when parents began reaching the work requirement. At the peak, the employment rate for the WRP group was 10 percentage points higher than for the ANFC group. Over six years, the WRP group earned an average of about \$500 (9 percent) more per year than the ANFC group and received about \$300 (12 percent) less per year in cash assistance payments. The work requirement was needed to generate these effects: WRP's financial incentives alone did not lead to increases in employment, probably because the incentives were not substantially different from those under the prior rules. WRP had few effects for two-parent families, who make up a small percentage of Vermont's welfare caseload.

- **WRP had little effect on family income, material hardship, or child well-being.** The WRP group's higher earnings were largely offset by their lower welfare payments; as a result, average income for the WRP group was about the same as average income for the ANFC group. However, consistent with the program's goals, members of the WRP group derived a greater share of their income from earnings and a smaller share from public assistance. Because WRP did not raise family income, it is not surprising that it also had few effects on hardship. WRP also had few effects on child outcomes.

- **WRP's work requirement was implemented as planned, but, contrary to initial expectations, very few community service employment positions were needed.** WRP's planners anticipated that a large-scale community service employment (CSE) program would be needed for parents who could not find unsubsidized work after the 30-month point. In fact, only 3 percent of single parents in the WRP group ever worked in a CSE position. Less than half the WRP group ever received 30 months of assistance, and most of those who were subject to the work requirement (which was usually part time) were able to find unsubsidized jobs in the extremely healthy economic climate that existed throughout the study period.

- **WRP saved money for taxpayers.** The WRP group received few services that were not also available to the ANFC group. Thus, the program's net cost was low and was more than offset by the public assistance savings it generated.

WRP differed from most states' approaches to welfare reform. Most important, welfare receipt was not time-limited, and grants were not reduced or closed if recipients failed to meet the work requirement. The evaluation's generally positive results show that there are diverse paths to the widely supported goals of increasing employment and reducing reliance on cash assistance.

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Preface

By converting federal welfare funding into a fixed block grant, the landmark federal welfare reform law of 1996 gave states new flexibility to develop their own rules governing how their welfare programs would be run. Among the wide variety of approaches to encourage welfare recipients to become economically self-sufficient, the new policies ranged from those that imposed strict work requirements, short time limits on benefit receipt, and harsh sanctions for noncompliance to others that, like the one developed by Vermont, set standards that were less onerous.

The experience of Vermont's Welfare Restructuring Program (WRP) — the subject of this final report in a rigorous multiyear evaluation — shows that a welfare reform program can achieve the broadly accepted goals of increasing employment and reducing welfare receipt without resorting to the tough policies that have been central to many states' programs. Implemented in 1994 under waivers of federal welfare rules, WRP was one of the first comprehensive statewide welfare reform programs of the 1990s. It provided modest financial incentives to encourage and reward work, and it also required single-parent welfare recipients to work in a wage-paying job after 30 months of benefit receipt. (The work requirement was imposed after 15 months for two-parent families.) The state helped recipients find work, and it provided subsidized, minimum-wage community service positions to those who could not find regular jobs. Vermont's current welfare program shares many features with WRP.

Unlike most recent welfare reform programs, WRP did not set a time limit on welfare receipt, and it did not require single-parent recipients to participate in any work-related activities during their first 30 months on the rolls. Moreover, when recipients did not comply with the work requirement, the state did not reduce or close their welfare grant; instead, it took control of the grant, used the money to pay the recipients' bills, and required them to attend frequent meetings at the welfare office. Although WRP's program participation requirements and sanctions were not as stringent as those in most other states, the new program did increase expectations of recipients relative to earlier Vermont programs.

Despite differences in approach compared to other states, WRP produced similarly positive results on key outcomes: Employment and earnings increased; cash assistance receipt and payments declined. The effects were generated by the work requirement; the modest financial incentives had little effect, likely because they were not very different from those available to welfare recipients under the prior rules. Like many other programs, WRP did not substantially affect families' income.

When WRP was being designed, many of its planners believed that its success would hinge on the state's ability to create a large-scale program to place recipients who were unable to find regular jobs in community service employment. In fact, very few of the WRP participants in the study ended up working in a community service job. More than half of them left welfare quickly and never accumulated 30 months of benefit receipt. Among those who became subject to the work requirement, most were able to find an unsubsidized job in Vermont's strong labor market. It is not clear whether this would have been true in a weaker economy.

WRP's results are being released at a time when Congress is debating the reauthorization of the 1996 welfare law. One of the key issues is whether the law should continue to provide broad flexibility to states to design their own approaches to welfare or whether states should be subject to tighter federal requirements. The WRP results show that there is more than one way to achieve the goals of welfare reform.

Policymakers, administrators, and others across the county who are interested in welfare reform owe a debt of gratitude to the Vermont Department of Prevention, Assistance, Transition, and Health Access (formerly the Department of Social Welfare), which unwaveringly supported the study, and to the U.S. Department of Health and Human Services, which provided a large proportion of the funding to support this important research.

Gordon Berlin
Senior Vice President

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This final report on Vermont's Welfare Restructuring Project (WRP), the culmination of an eight-year evaluation, would not have been possible without the contributions of numerous people in the State of Vermont, at the organizations that, with Vermont, funded the project, and at MDRC.

The Vermont Department of Prevention, Assistance, Transition, and Health Access (PATH) — formerly the Department of Social Welfare (DSW) — conceived the study and contracted with MDRC to conduct it. Jane Kitchel, the former DSW Commissioner who is now Secretary of the Vermont Agency of Human Services, provided strong support for the evaluation from its inception. Under the leadership of Eileen Elliott, the Department's current Commissioner, PATH continued to assist the study's ongoing work. Sandra Dooley, a former DSW and PATH Deputy Commissioner, oversaw most of the evaluation and offered unstinting support, wise advice, and thoughtful comments on research plans and reports. Steve Gold, formerly with DSW and now Commissioner of the Vermont Department of Employment and Training (DET), also provided critical support.

Many staff members in the DSW and PATH central office made valuable contributions through the years. We owe special thanks to Betsy Forrest, Donna Jenckes, Roy Haupt, Ed Cafferty, Jackie Levine, Pat McDonald, Roberta O'Brien, Debra Brucker, and Debra Tighe.

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At MDRC, Barbara Goldman oversaw the study since its inception. David Butler played a central role during the study's early years, and he continued to provide helpful advice to the end. Judith Gueron, Gordon Berlin, and Pamela Morris offered valuable comments on drafts of the final report.

Leslie Sperber assisted with the field research and the programming for the impact analysis, led the analysis of the community service employment program, and, with Lauren Cates, coordinated the production of the report. Frank Tsai prepared the administrative records files for analysis, and Mark van Dok assisted with the analysis of the records data. Jared Smith did programming for the 42-Month Client Survey, and Colleen Parker played a key role in the analysis of the program's benefits and costs. Tara Cullen and Chris Rodrigues helped create exhibits for the report. Bob Weber edited the report, Louis Richman coordinated the report's release, and Stephanie Cowell assisted with word processing.

Other MDRC staff played key roles at earlier stages of the project. Lynn Miyazaki managed the acquisition of administrative records data from DSW and PATH, Debra Romm supervised the design and development of the administrative records database, and Galina Farberova created the files. Amy Brown served as site liaison and conducted field research. Greg Hoerz, Jordan Kolovson, and Melisa Diaz worked closely with ORC/Macro, the survey subcontractor.

Finally, we extend our deep appreciation to the thousands of Vermont parents who participated in the study and gave generously of their time to respond to surveys.

The Authors

Executive Summary

Vermont's Welfare Restructuring Project (WRP) was one of the earliest statewide welfare reform programs initiated under waivers of federal welfare rules granted before the passage of the 1996 federal welfare reform law. The program, which operated from 1994 to 2001, was designed to increase work and reduce reliance on welfare. WRP required that welfare recipients work in a wage-paying job after they had received cash assistance for a specified number of months (30 months for single-parent families and 15 months for two-parent families). Recipients received help finding jobs and were offered minimum-wage community service jobs if they could not find unsubsidized employment. If a recipient did not comply with the work requirement, the state took control of her grant, used the money to pay her bills, and required her to attend frequent meetings at the welfare office. The program also included a set of financial incentives that were intended to encourage and reward work. WRP served as a model for Vermont's current welfare program, which took effect in mid-2001.

This is the final report in a long-term evaluation of WRP conducted by the Manpower Demonstration Research Corporation (MDRC) under contract to the State of Vermont. The evaluation was also funded by the U.S. Department of Health and Human Services and the Ford Foundation. The evaluation used data from the entire state but focused in depth on 6 of Vermont's 12 welfare districts. The results from the WRP evaluation provide important evidence about one of the many diverse strategies that states adopted to reform welfare in the 1990s.

In order to assess what difference WRP made, parents who were applying for or receiving cash assistance in Vermont between July 1994 and December 1996 were assigned, at random, to one of three groups: (1) the *WRP group*, whose members received the financial work incentives and were subject to the work requirement; (2) the *WRP Incentives Only group*, whose members received the incentives but were not subject to the work requirement; or (3) the *Aid to Needy Families with Children (ANFC) group*, whose members remained subject to the pre-WRP welfare rules, which included neither the incentives nor the work requirement. MDRC followed all three groups for six years, using computerized records and a survey. Any differences that emerged over time in the groups' outcomes (for example, in their employment or welfare receipt) can reliably be attributed to WRP's policies; such differences are known as *impacts*, or *effects*.

The evaluation also included a study of the implementation of WRP and an assessment of its financial costs and benefits for the government and for participating families. The study mainly focused on single-parent families, who make up most of Vermont's welfare caseload.

Key Findings

Key findings from the evaluation include:

- **The full WRP program increased employment and reduced reliance on cash assistance for single-parent families, particularly in the period after some parents became subject to the work requirement.**

WRP was implemented in an exceptionally healthy economic climate; Vermont's unemployment rate was even lower than the national rate throughout the study period. As a result, a very large proportion of the ANFC group (87 percent) worked at some point during the six-year study period, even without any work requirements or special financial incentives.

Nevertheless, WRP increased employment. The employment gains were small early in the study period, before anyone had reached the work requirement, but they grew larger after the 30-month point. At the peak — in the beginning of the fourth year of the follow-up period — the employment rate for the WRP group was 10 percentage points higher than for the ANFC group (58 percent, compared with 48 percent). Employment gains persisted throughout the rest of the six-year period, although the size of the effects diminished over time. Over the six-year period, WRP increased average annual earnings by 9 percent ($508). Most of the people who went to work because of WRP worked full time or nearly full time, in jobs paying at least $7.50 an hour.

WRP had little effect on cash assistance receipt until the 30-month point, when it began to reduce the amount of assistance that families received. Later, the program began to reduce the number of families receiving any cash assistance. By the end of the follow-up period, only 18 percent of the WRP group were receiving assistance, compared with 24 percent of the ANFC group. WRP reduced cash assistance payments by 28 percent ($449) per year during the last two years of the study period.

- **WRP had little effect on family income, material hardship, children's school performance, or other family and child outcomes.**

The WRP group's higher earnings were largely offset by their lower cash assistance payments; as a result, except for a brief period during the third year of the follow-up period, average income for the WRP group was no higher than average income for the ANFC group. However, consistent with the program's goals, WRP group members derived a greater share of their income from earnings and a smaller share from public assistance.

A survey that was administered 42 months into the follow-up period examined WRP's impacts on a range of outcomes, including families' financial assets, neighborhood quality, food security, and children's school performance and behavior. Because such impacts are typically driven by changes in income, it is not surprising that WRP generated few effects on these outcomes.

- **The program's work requirement was needed in order to generate impacts. WRP's financial incentives alone did not lead to increases in employment or income, probably because the incentives were not substantially different from incentives under the prior rules.**

WRP included two types of financial incentives that were designed to encourage and reward work. First, WRP changed the welfare rules to allow recipients to earn somewhat more without losing eligibility for cash assistance (this is known as an *enhanced earnings disregard*). Recipients could also own a more valuable (and hence more reliable) car and could accumulate more savings from earnings without losing eligibility for assistance. Second, the program extended transitional supports for recipients who were leaving welfare for work — for example, by providing three years of transitional Medicaid coverage instead of the single year of coverage mandated under prior rules.

Other studies have found that financial incentives alone can increase work and income, but this was not the case in WRP. The WRP Incentives Only group was no more likely to work than the ANFC group and did not have higher income. However, in assessing this result, it is important to note that WRP's incentives — while probably important to many families — were not substantially different from the incentives and rules that applied to the ANFC group. For example, at most levels of earnings, WRP's enhanced earnings disregard during the first four months of work was actually somewhat less generous than the disregard available under the prior rules. Similarly, because Vermont provides unusually generous child care and health insurance subsidies for all low-income working families, the ANFC group was eligible for supports that were not dramatically different from WRP's transitional benefits.

- **WRP increased employment among most subgroups, but the increases were largest for the most disadvantaged sample members. WRP increased income for the least disadvantaged sample members.**

Among individuals who were long-term welfare recipients, had no recent work history, and did not have a high school diploma — some 9 percent of the study's participants — the WRP group earned an average of 31 percent ($870) more per year over the six-year follow-up period than the ANFC group. Because WRP increased earnings but did not reduce welfare receipt among sample members with the fewest barriers to employment (high school graduates with recent work history who were not long-term welfare recipients), the program raised their income (by an average of 7 percent, or $696, per year).

- **WRP's work requirement was implemented as planned, but, contrary to initial expectations, very few community service employment positions were needed.**

When WRP was designed, planners believed that its success would hinge on the state's ability to create a large-scale community service employment (CSE) program for recipients who could not find unsubsidized jobs after receiving benefits for 30 months. In fact, the work requirement was implemented largely as intended, but the maximum number of people working in CSE slots statewide never exceeded 70 in any one month. Only 3 percent of the single-parent WRP group members (and 4 percent of the two-parent WRP group members) ever worked in a CSE position during the six-year study period.

Few CSE slots were needed for two main reasons. First, most recipients were never subject to the work requirement: Only 46 percent of the single-parent WRP group received cash assistance for 30 months or more. This figure was nearly the same for the ANFC group (45 percent), suggesting that the strong economy and broad changes in Vermont's welfare system that affected all three research groups were the key factors that spurred people to leave welfare sooner than anticipated. Second, of those who reached the 30-month point, most who were required to work found unsubsidized jobs; most single parents were required to work only part time, and jobs were readily available in most areas of the state. Some others were exempted from the work requirement or were sanctioned (penalized) for failing to comply with the requirement.

- **The net cost of WRP was quite low, and the government's spending on the program was more than offset by reduced public assistance payments; in other words, WRP saved money for taxpayers.**

The WRP group received few services that were not also available to the ANFC group. Both groups were eligible to participate in the state's welfare-to-work program (the WRP group was required to participate in Months 29 and 30 of benefit receipt), and both groups received child care assistance and other supports if recipients worked or participated in activities while on welfare. As noted earlier, supports for those who exited welfare were also similar for the two groups.

Thus, the main net costs associated with WRP — that is, costs over and above those incurred for the ANFC group — were for relatively inexpensive job search services provided to recipients who reached the work requirement and for support services for parents who were participating in activities or working while on welfare. (More WRP group members than ANFC group members worked and participated in activities.) Thus, the net cost of WRP was only about $1,300 per person over six years. The program saved about $1,700 per person in cash assistance and Food Stamp benefits over six years, more than offsetting its cost.

- **WRP generated few effects for two-parent families with an unemployed parent.**

WRP's work requirements for two-parent families with an unemployed parent were not substantially different from requirements under the prior rules. Even before Vermont implemented WRP, principal wage-earners in two-parent families were required to work or participate in employment activities throughout their time on welfare — although WRP required full-time work after 15 months of assistance. WRP eliminated most of the nonfinancial criteria that restricted eligibility for two-parent families under ANFC.

WRP did not affect employment or earnings for two-parent families with an unemployed parent. The financial incentives increased cash assistance receipt somewhat during the first four years of the follow-up period, but the effect did not last. WRP did not substantially affect income, material hardship, or outcomes for children among these families.

Conclusions and Implications for Policy

The results of the WRP evaluation illustrate that there are diverse paths to the broadly accepted goals of increased employment and reduced reliance on public assistance. Unlike other states, Vermont did not require single parents on welfare to work until they had received benefits for 30 months, did not use grant reductions or closures to enforce these requirements, did not require full-time work for most single parents, and did not set time limits on cash assistance receipt. Nevertheless, WRP increased employment and, eventually, reduced welfare payments. Because the program's net cost was low, WRP actually saved money for taxpayers — an unusual achievement for any social program. And, at least within a strong economy, Vermont was able to impose a work requirement for welfare recipients without creating a large subsidized employment program.

Although WRP increased work, it did not make families better off financially and did not substantially improve their material well-being. Like previously studied programs that have increased parents' employment levels but not their income, WRP also did not substantially affect participants' children. However, it is worth noting that low-income families in Vermont may be better off than those in some other states: Vermont's welfare grant levels are among the highest in the nation, and the state offers an unusually generous set of supports for low-income working families.

Vermont's new welfare program — implemented in mid-2001 — builds on WRP and remains distinctive from programs in many other states. In response to WRP's small effects before any recipients reached the work requirement, the new program requires recipients to participate in work or work-related activities as soon as they are deemed to be "work-ready" or after 12 months of welfare receipt, whichever happens first. The program also uses financial penalties to enforce its requirements, although the penalties are less severe than in most other states. Vermont remains one of only two states that have not established a time limit on welfare receipt.

Introduction

Vermont's Welfare Restructuring Project (WRP) was one of the first statewide welfare reform programs initiated under waivers of federal welfare rules granted before the passage of the 1996 federal welfare law. WRP, which operated from July 1994 to June 2001, aimed to increase employment and reduce reliance on welfare. It included two main components: (1) financial incentives to encourage work and (2) a requirement that welfare recipients work in a wage-paying job after they had received cash assistance for a specified number of months — 30 months for single parents and 15 months for two-parent families. The program helped recipients search for jobs and provided subsidized minimum-wage community service jobs to recipients who had not found work by the time they reached the 15- or 30-month point. WRP served as a model for Vermont's current welfare program, which took effect in July 2001.

This is the final report in a large-scale evaluation of WRP.[1] The Vermont Department of Social Welfare (DSW) — the agency that administered WRP — contracted with the Manpower Demonstration Research Corporation (MDRC) to conduct a comprehensive evaluation of the program. (DSW was renamed the Department of Prevention, Assistance, Transition, and Health Access [PATH] in mid-2000.) The study was based on a rigorous random assignment research design, which permits comparisons between WRP and Vermont's previous welfare program. It uses data from all 12 welfare districts in the state but focused in detail on 6 of them (referred to as the *research districts*). The evaluation — which was initially required as a condition of the federal waivers that allowed Vermont to implement the program — was funded by the State of Vermont, the U.S. Department of Health and Human Services, and the Ford Foundation. MDRC is a nonprofit, nonpartisan organization with more than a quarter-century's experience designing and evaluating programs and policies for low-income individuals, families, and communities. The results from the WRP evaluation provide important evidence about one of the many diverse strategies that states adopted to reform welfare in the 1990s.

After describing WRP and the evaluation in greater detail, the report summarizes the program's implementation in the six research districts. Then it presents information on how WRP affected patterns of employment and public assistance receipt over six years. Data from a large-scale survey — administered three-and-a-half years after people entered the study — are used to assess WRP's effects on such key outcomes as job characteristics, health insurance coverage, and child outcomes. The report first presents effects for single-parent families, who make up most of Vermont's welfare caseload, and then it describes the results of a benefit-cost analysis that compares WRP's financial benefits and costs both for participants and for government budgets. The report then briefly presents results for two-parent families, and it concludes with a discussion of the findings' implications for welfare policy. A series of appendices (described in Box 1) presents extensive supplementary materials, including additional analyses and further details about the findings presented in the report.[2]

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[1] A report completed in 1998 describes WRP's early implementation and its effects on employment and public assistance receipt measured over 21 months (Bloom, Michalopoulos, Walter, and Auspos, 1998). Reports completed in 1999 and 2000 present WRP's effects measured over 42 months (Hendra and Michalopoulos, 1999; Bloom, Hendra, and Michalopoulos, 2000).

The Welfare Restructuring Project

This section briefly discusses the development of WRP and describes Vermont's primary goals in designing the program. It provides some details about WRP's key components and places the program in the context of current welfare policy.

Creation of the Project

Many states substantially reformed their welfare programs even before the federal Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) became law in August 1996. Between 1993 and 1996, about 40 states were granted waivers of federal welfare rules, allowing them to implement a wide variety of policy changes designed to promote work and self-sufficiency among welfare recipients.

Vermont was one of the first states to seek waivers for comprehensive, statewide reform of its welfare system. In 1991, Vermont began a broad-based review of its system, focusing primarily on its Aid to Needy Families with Children (ANFC) cash assistance program.[3] The review produced a set of recommendations that laid out the key features of what later became WRP. After a lengthy debate that resulted in some important changes in the program model, WRP was approved by the Vermont legislature in January 1994, and it was implemented in July.

Goals and Policies

WRP's primary goal was to increase work and self-support among welfare recipients. The program's designers believed that achieving this goal would lead to other positive outcomes

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[2] All appendix materials are available on the MDRC Web site at http://www.mdrc.org/Reports2002/vermontwrp/vt_appendices.pdf

[3] ANFC was Vermont's version of Aid to Families with Dependent Children (AFDC), the federal-state cash assistance program that was created by the Social Security Act of 1935 and that was replaced with a block grant by PRWORA. In July 2001, Vermont replaced the ANFC program with the Reach Up program. This report uses the term *cash assistance* to refer to ANFC benefits.

Box 1

Appendices to This Report*

Supplementary materials in a series of appendices provide further detail on analyses presented in the main report as well as additional analyses and discussion of various technical issues. The main report focuses on comparisons between two of the study's three research groups (the WRP group and the ANFC group); some supplemental tables also show comparisons that include the third research group (the WRP Incentives Only group). Specifically, the appendices are as follows.

Appendix A: Supplemental Tables for the Section Entitled "The Evaluation." This appendix presents additional information on the State of Vermont, the research districts that the evaluation focused on, and the study samples.

Appendix B: Supplemental Tables for the Section Entitled "Implementation for Single-Parent Families." This appendix presents detailed findings on single-parent sample members' participation in employment-related activities during the follow-up period. Appendix Box B.1 describes how to interpret the three-group tables in Appendix B and subsequent appendices that present results for all three research groups.

Appendix C: Survey Response Analysis and Other Technical Issues. This appendix presents an analysis of the generalizability of the results from the 42-Month Client Survey and discusses other technical issues relating to data sources.

Appendix D: Supplemental Tables for the Section Entitled "Effects on Employment, Public Assistance, and Income for Single-Parent Families." This appendix presents additional detail on WRP's effects on single parents' employment, earnings, cash assistance receipt and payments, Food Stamp receipt and payments, and income from those sources. It also shows results for various groups of sample members.

Appendix E: Supplemental Tables for the Section Entitled "Effects on Family and Child Outcomes for Single-Parent Families." This appendix presents WRP's effects on additional measures of single parents' family and child outcomes from the 42-Month Client Survey.

Appendix F: Supplemental Materials for the Section Entitled "Costs and Benefits for Single-Parent Families." This appendix discusses the methods and data sources used in the benefit-cost analysis. It also presents additional detail on the benefit-cost findings for single-parent families and summarizes results for two-parent families.

Appendix G: Supplemental Tables for the Section Entitled "Effects on Employment, Public Assistance, and Income for Two-Parent Families." This appendix presents more detail on WRP's effects on two-parent families' employment, earnings, cash assistance receipt and payments, Food Stamp receipt and payments, and income from those sources. It also shows results for various groups of two-parent sample members.

Appendix H: Supplemental Tables for the Section Entitled "Effects on Family and Child Outcomes for Two-Parent Families." This appendix presents WRP's effects on additional measures of family and child outcomes for two-parent families from the 42-Month Client Survey.

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*All appendix materials are available on the MDRC Web site at http://www.mdrc.org/Reports2002/vermontwrp/vt_appendices.pdf

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— such as stronger families and improved outcomes for children — and would also bring Vermont's public assistance programs more in line with public values. In designing WRP, however, the state sought to balance the goal of promoting work with other goals, such as ensuring that families' basic needs were met and allowing parents to reconcile their dual roles as nurturers and providers for their children. The WRP polices that were designed to achieve these goals are described below.

The work requirement. Designed to increase work, one of WRP's central features was a time-triggered work requirement.[4] Single-parent recipients were required to work in wage-paying jobs after they had received cash assistance for 30 months. (Policies for two-parent families are described later in this report.) Two months before reaching that point, recipients were required to attend job search activities, which were provided through Vermont's welfare-to-work program. (A recipient who left welfare at or after Month 30 and later returned to the rolls would again be subject to the work requirement after a two-month job search.)

As a safeguard, the state provided subsidized minimum-wage community service employment (CSE) positions for recipients who reached the 30-month point and were unable to find jobs. Each CSE position was limited to 10 months, after which recipients could be placed in a subsequent position. In addition, to allow parents to care for their younger children, single parents with children under age 13 were required to work half time, rather than full time.

Unlike recipients in many other states, single parents who failed to comply with WRP's work requirements did not have their welfare grant reduced or closed; rather, the state took control of their grant, used the money to pay their bills, and required them to attend three meetings at the welfare office each month. Noncompliance with this process resulted in the loss of benefits (although parents could reapply for benefits).

Financial incentives. WRP also included two kinds of financial incentives designed to encourage and assist welfare recipients in finding and keeping jobs. First, the program changed several welfare rules that were seen as discouraging work. For example, recipients were allowed to earn somewhat more without losing eligibility for cash assistance than they could under prior welfare rules (this is known as an *enhanced earnings disregard*). They also could own a more valuable (and hence more reliable) car and could accumulate more savings from earnings without losing eligibility for assistance. In addition, the process for disbursing child support payments collected on behalf of children receiving cash assistance was changed to make the payments more visible to the parents.

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[4] The time-triggered work requirement was referred to as a *time limit* by DSW and in previous MDRC reports. Most state welfare reforms that were initiated under waivers when WRP was developed — as well as the Clinton administration's welfare reform proposal, which was never passed by Congress — used versions of this approach, in which the "time limit" triggered a work requirement. Over time, an alternative definition — in which the time limit signals the end of cash assistance and the government does not provide jobs to people who cannot find jobs on their own — became more prominent. Therefore, this report does not use the term *time limit* to describe the WRP work requirement.

Second, WRP expanded supports for families who left welfare for work. It provided three years of transitional Medicaid coverage and also offered transitional child care assistance (on a sliding scale) for as long as a family's income did not exceed 80 percent of the state median. The prior rules provided only one year of both types of transitional benefits.

Although these policies were probably important to many families, WRP's financial incentives were not substantially different from the benefits available to families under the prior rules. For example, at most levels of earnings, the "enhanced" earnings disregard during the first four months of work was actually somewhat less generous than the disregard available under the prior welfare rules. Beginning in the fifth month of employment, however, WRP's disregard was more generous (unless the parent earned $120 per month or less, in which case there was no difference between the two sets of rules).[5]

For example, under WRP, a single parent who had two children and worked 20 hours a week at $6 per hour received $322 in cash assistance benefits per month. Under ANFC, that parent would have received about the same amount ($332) in cash assistance during the first four months of work. During the fifth through twelfth months of work, however, she would have received $199 per month — $123 less than under WRP. Because Food Stamp payments increased when cash grants decreased, the parent would have received less in Food Stamps under WRP than under ANFC ($152, compared with $207). Therefore, during the fifth through twelfth months of work, she would have received $68 more per month under WRP than under ANFC ($474 in cash assistance and Food Stamps, compared with $406).[6]

Similarly, because Vermont provides unusually generous health insurance and child care subsidies for all low-income working families, WRP's benefits were not markedly different from those available to families subject to the state's prior welfare program. For example, WRP provided three years of transitional Medicaid coverage to people leaving welfare for work. At the beginning of the evaluation, Vermont offered at least some health insurance coverage to *all* families with incomes up to 150 percent of the federal poverty line and to all children in families with incomes up to 225 percent of the poverty line. In 1998, it expanded coverage for children (up to 300 percent of the poverty line), and, in 1999, it expanded coverage for adults (to 185 percent of the poverty line). The situation is similar with regard to subsidized child care.

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[5] Under WRP rules, the first $150 plus 25 percent of any remaining earned income was disregarded — not counted — in calculating the monthly welfare grant. Under traditional ANFC rules, the first $120 (a flat $30 disregard plus $90 for work expenses) plus 33 percent of any remaining earned income was disregarded during the first four months of employment, but the disregard became less generous after that point ($120 of earned income was disregarded in the fifth through twelfth months of employment, and only $90 was disregarded thereafter).

[6] This example is based on benefit levels in 1997.

Welfare-to-work services. Virtually all adult recipients could participate in the state's welfare-to-work program, called Reach Up, which provided employment and training, case management, and support services. Reach Up was not developed as part of WRP (it had been operating since 1986), but the program was expanded and modified to make it more consistent with WRP's overall goals and design.[7] Under WRP, participation in Reach Up was voluntary for single-parent cash assistance recipients until two months before they reached the work requirement, when job search classes became mandatory. The classes, which were operated by the Department of Employment and Training (DET) under contract with DSW, met once or twice a week for eight weeks.

The Current Policy Context

In 1996, PRWORA replaced the Aid to Families with Dependent Children (AFDC) program with the Temporary Assistance for Needy Families (TANF) block grant. The law gives states substantial flexibility to design welfare programs, but it also places several restrictions on the use of federal TANF funds. Notably, states cannot use block grant funds to assist most families for more than five years (although they may do so with state funds). In addition, states will lose part of their TANF funding if they do not ensure that large proportions of recipients are participating in work activities. States must engage recipients in work (as defined by the state) after 24 months of benefit receipt — or earlier, at state discretion.

As noted earlier, Vermont developed WRP long before PRWORA was enacted. The law encouraged states to continue the initiatives that they had begun under waivers, and it stipulated that waiver provisions would take precedence over provisions of the new law where there were inconsistencies between the two. Vermont chose to operate WRP until the waivers expired, in June 2001; this allowed the state to delay implementation of key TANF provisions, such as the 60-month limit on federally funded TANF benefits.[8]

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[7] *Reach Up* here and throughout the rest of this report refers to the name of the welfare-to-work program operated in Vermont before July 2001; it should be distinguished from the current Reach Up program, which includes both cash benefits and welfare-to-work services.

[8] The program that Vermont implemented in July 2001 — after the follow-up period for this study — differs from WRP in some important ways. The program requires most parents to participate in work or work activities as soon as they are deemed to be "work-ready" or after 12 months of welfare receipt, whichever happens first. Recipients who do not comply with program rules may face financial sanctions.

Under PRWORA, most states have implemented welfare rules that are quite different from WRP's rules. For example, most states have imposed time limits on welfare receipt, broad work requirements, and sanctioning policies that may result in the full cancellation of families' welfare grants in response to noncompliance with employment-related mandates. WRP, in contrast, did not impose a time limit on welfare receipt, did not require single parents to engage in work activities until Month 29 of welfare receipt, and did not use financial sanctions.

Although WRP used a "softer" approach to moving welfare recipients into work than most current programs, Vermont's experience can yield some important lessons for policymakers and program operators. First, WRP illustrates that there are diverse approaches to achieve the goal of increasing employment among welfare recipients, and the evaluation's results show what a less stringent program can achieve. Second, WRP provides evidence on the effects of imposing work requirements on a broad group of welfare recipients. Currently, all states require at least a portion of their welfare caseload to engage in work or work-related activities. Some states, including California and Pennsylvania, have a time-triggered work requirement.[9] Third, since a large proportion of Vermont's population lives in rural areas, WRP provides lessons on the implementation and effectiveness of work programs in this kind of environment.

The Evaluation

This section provides some key information about the WRP evaluation, including its research design, environment, samples, and data sources.

The Evaluation's Design

Components of the study. This report presents results from the three major components of the WRP evaluation:

- **Impact analysis.** This part of the study provided estimates of the effects of WRP on employment rates and earnings, public assistance receipt, family income, and other outcomes relative to the welfare system that preceded it.
- **Implementation analysis.** This component of the study examined how WRP's policies were operated by staff in the six research districts.
- **Benefit-cost analysis.** This analysis used data from the impact study, along with fiscal data, to compare the financial benefits and costs generated by WRP for both eligible families and the government budget.

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[9] For a study of the welfare programs in Los Angeles and Philadelphia, including the time-triggered work requirements, see Brock, Nelson, and Reiter, 2002.

Research design for the impact analysis. The impact analysis was based on a random assignment research design. Between July 1994 and December 1996, cash assistance applicants and recipients throughout Vermont were assigned, at random, to one of three groups:[10]

- **WRP group (60 percent).** Members of this group were subject to all the elements of WRP described earlier, including both the time-triggered work requirement and the financial work incentives.
- **WRP Incentives Only group (20 percent).** Members of this group received WRP's enhanced financial incentives but were not subject to its work requirement.
- **ANFC group (20 percent).** Members of this group remained subject to the welfare rules that existed before WRP.

Members of all three groups had the same access to employment and training, case management, and support services through Reach Up. Table 1 summarizes the policies that applied to each of the three research groups.

Because people were assigned to a group at random, there were no systematic differences among the three groups' members when they entered the study. In addition, all three groups experienced the same general economic and social conditions during the study. Thus, any differences that emerged among the groups during the study's follow-up period can reliably be attributed to WRP; these differences are known as the program's *impacts*, or *effects*.

As discussed earlier, the key elements of WRP can be grouped into two categories: (1) financial incentives to promote and reward work and (2) the time-triggered work requirement. The three-group design allows the evaluation to decompose the program's overall impact. Specifically:

- **Comparing the WRP group with the ANFC group** shows the combined impact of WRP's incentives and work requirement relative to the traditional welfare system.

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[10] All applicants were assigned to a group when they came to the DSW office to apply for benefits. Parents who were already receiving cash assistance when WRP began operating were randomly assigned when they came to the office for semiannual eligibility reviews. To control the flow of people into WRP, only half of those who appeared for a review were randomly assigned; the rest remained subject to ANFC policies and were randomly assigned at their next review meeting.

Vermont's Welfare Restructuring Project

Table 1

Summary of Policies That Applied to the WRP, WRP Incentives Only, and ANFC Groups

	WRP Group	WRP Incentives Only Group	ANFC Group
Work and Reach Up participation requirements			
Single-parent families	Parent required to work after 30 months of cash assistance receipt; mandatory job search after 28 months	No participation mandate or work requirement	No participation mandate or work requirement
Two-parent families[a]	Immediate Reach Up participation mandate for principal earner; required to seek and accept employment at all times; full-time work requirement after 15 months of cash assistance receipt	Immediate Reach Up participation mandate for principal earner; required to seek and accept employment at all times	Immediate Reach Up participation mandate for principal earner; required to seek and accept employment at all times
Financial/eligibility rules and transitional benefits			
Earned income disregard	First $150 plus 25% of remaining earnings disregarded	Same as WRP group	First $120 plus 33% of remaining earnings disregarded for first 4 months of employment; first $120 disregarded in Months 5 to 12; first $90 disregarded thereafter
Value of vehicle excluded in counting assets	One vehicle excluded regardless of value[b]	Same as WRP group	$1,500
Other asset rules	Assets derived from earnings disregarded[c]	Same as WRP group	Assets derived from earnings counted against asset limits
Child support rules	All child support passed through to the custodial parent; amount in excess of $50 a month counted against the cash assistance grant[d]	Same as WRP group	First $50 a month in child support passed through to the custodial parent and not counted against cash assistance grant; state retained the rest

(continued)

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Table 1 (continued)

	WRP Group	WRP Incentives Only Group	ANFC Group
Medical assistance for families leaving welfare for work	Three years of transitional Medicaid; coverage beyond that point depended on eligibility for other programs[e]	Same as WRP group	One year of transitional Medicaid; coverage beyond that point depended on eligibility for other programs[e]
Child care assistance for families leaving welfare for work[f]	Subsidies for all types of care continued as long as family remained financially eligible	Same as WRP group	Subsidies for licensed or registered care continued as long as family remained financially eligible; subsidies for "unregulated" arrangements continued for only one year[g]
Cash assistance eligibility for two-parent families	Nonfinancial eligibility criteria similar for single-parent and two-parent families	Same as WRP group	Two-parent families subject to special nonfinancial eligibility requirements (e.g., principal earner had to work less than 100 hours per month)
Family composition rules	Unmarried couples who lived together and had a child in common treated as one family unit, along with any other children in the household	Same as WRP group	Unmarried couples who lived together and had a child in common treated as two family units as long as the principal earning parent remained employed 100 hours or more per month

SOURCE: Welfare Restructuring Project (WRP) policies from Vermont's Department of Social Welfare.

NOTES: [a] These rules were for two-parent families with an able-bodied primary wage-earner (ANFC-UP cases). Different rules applied to two-parent families with an incapacitated parent; the able-bodied parent in these families was subject to rules that are similar to those for single parents.

[b] The enhanced vehicle exclusion also applied in determining eligibility for Food Stamps for families who had received cash assistance subsequent to random assignment, and it continued to apply to Food Stamps after the family was no longer receiving cash assistance.

[c] The disregard applied to assets accumulated after receiving cash assistance benefits subsequent to random assignment. It also applied in determining Food Stamp eligibility for families who had received cash assistance subsequent to random assignment, and it continued to apply to Food Stamps after the family was no longer receiving cash assistance.

[d] The $50 pass-through also applied to Food Stamps for families who received cash assistance subsequent to random assignment, and it continued to apply after the family was no longer receiving cash assistance.

[e] Families in all three groups could receive subsidized health coverage through other programs (e.g., Vermont Health Access Plan and Dr. Dynasaur); there were no differences across groups in eligibility rules for these programs.

[f] This table describes the child care rules in place through June 1998.

[g] Families in the ANFC group using unregulated arrangements could continue to receive subsidies beyond the one-year transitional child care period if they met income guidelines and the provider became registered or licensed by the Department of Social and Rehabilitation Services (SRS), a requirement for receiving payments for SRS's child care program, or the family switched from an unregulated provider to a licensed or registered provider of child care.

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- **Comparing the WRP Incentives Only group with the ANFC group** shows the impact of WRP's financial incentives alone, not accompanied by the work requirement.
- **Comparing the WRP group with the WRP Incentives Only group** shows the impact of adding the work requirement to the financial incentives.[11]

Most of the findings presented in this report are based on the first comparison, and they thus show the effects of the full WRP package of services and requirements. Results based on the second and third comparisons are discussed briefly and are presented in the appendices (see Box 1).

It is worth noting that the WRP research sample includes a very broad share of the cash assistance caseload. In most previous studies of welfare reform initiatives, certain categories of exempt cases — for example, parents of very young children — were screened out before random assignment and did not become part of the research sample. In contrast, Vermont chose to include almost all cash assistance applicants and recipients in the study (and in WRP) and to identify exemptions at the point that recipients approached the time-triggered work requirement. This characteristic of the WRP sample is important to consider in making comparisons across studies.

In addition, for cash assistance applicants, random assignment took place early in the application process, before staff knew whether the application would be approved or denied. Thus, some individuals (about 5 percent) in the three research groups never received cash assistance during the follow-up period. Conducting random assignment at this early point gave the study a better chance of capturing the full impact of WRP; for example, the program may have affected the number of people who completed their application or who were approved for benefits. In fact, this is likely, because WRP included changes in the welfare eligibility rules. At the same time, the early point of random assignment means that some people in the WRP group and in the WRP Incentives Only group had only very limited contact with the program's new policies.

Random assignment is generally recognized as the most reliable way to determine what difference, if any, a new program makes. Nevertheless, a few factors should be considered when interpreting the evaluation's results. The earlier discussion noted that Vermont's approach to welfare reform is different in several ways from the approach advocated by the 1996 federal law (and from reforms enacted in neighboring states) and that it was impossible to isolate sample members from the intense publicity generated by national welfare reform throughout the study period. Thus, it seems likely that some members of the ANFC group may have been affected by this general message even if they understood that they were not subject to WRP's specific rules and requirements. Similarly, members of the two WRP groups may have been confused about the policies that applied to them, because they may have heard that the federal law includes different policies. The broad new "message" about welfare may have affected the number of people who applied for benefits, but the research design cannot measure such a change.[12] Finally, as discussed below, many of the broad changes in Vermont's welfare system in the 1990s applied to all three research groups. In sum, the evaluation's results represent a conservative estimate of the model's potential.

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[11] It is important to note that the comparison between the WRP group and the WRP Incentives Only group does not necessarily show the independent impact of the work requirement. To obtain that result, it would be necessary to create a group whose members were subject to a work requirement but did not receive financial incentives.

The Evaluation's Environment and the Target Population

When assessing WRP's effects, it is helpful to consider the environment in which the program was studied as well as the composition of the research sample.

The State of Vermont. Table 2 provides some basic information about the State of Vermont (and, for comparison, about the United States). As the table shows, Vermont is a small, mostly rural state with a racially homogenous population: 98 percent of its residents are white. In 1998, it ranked 49th among the 50 states in population, and its poverty rate was lower than the nation's average. Vermont's economy was exceptionally healthy: As the table shows, the state's unemployment rate remained below the national average throughout the study period.

Vermont's welfare grant levels are among the highest in the nation. In January 1997, the maximum welfare grant for a family of three with no other income was $640.[13] Like most other states, Vermont experienced a significant decline in its welfare caseload in the late 1990s. The statewide caseload declined from about 9,900 in 1994 (the year that WRP began operating) to less than 6,000 in 2000 — a decrease of 39 percent. (Appendix Table A.1 presents Vermont's caseload size for selected years.)

The research districts. As noted earlier, MDRC's evaluation included data from all 12 welfare districts in Vermont but focused in detail on 6 of them, which are referred to as the *research districts.*[14] The Burlington district includes Vermont's largest city and serves about one-fifth of the state's welfare caseload. The Barre, Rutland, and St. Albans districts include smaller cities or towns, while the Newport and Springfield districts are more rural. Together, the

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[12] The analysis could measure changes that occurred only after individuals were assigned to the research groups. Because the assignment occurred at the point people applied for welfare, the study could not determine whether WRP affected the number of people who took this step.

[13] The maximum welfare grant had increased to $708 by January 2000.

[14] The research districts were selected by DSW; they were not chosen randomly.

Vermont's Welfare Restructuring Project

Table 2

Selected Demographic and Economic Characteristics of the State of Vermont and the United States

Characteristic	Vermont	United States
Total population (1998)	590,883	270,298,524
Rank among the 50 states (1998)	49	N/A
White population (1998) (%)	98.4	82.5
Rural population (1990) (%)	67.9	24.8
Median household income (1998) ($)	36,196	37,779
Poverty rate (1998) (%)	9.9	12.7
Annual average unemployment rate (%)		
1994	4.7	6.1
1995	4.3	5.6
1996	4.6	5.4
1997	4.0	4.9
1998	3.4	4.5
1999	3.0	4.2
2000	2.9	4.0
2001	3.6	4.8
Nonfarm employment by industry (1995) (%)		
Manufacturing	16.7	15.8
Services	29.3	28.2
Transportation and public utilities	4.4	5.3
Government	16.7	16.5
Wholesale and retail sale	23.7	23.5
Construction	4.4	4.4
Finance, insurance, real estate	4.4	5.8

SOURCES: Gaquin and Debrandt, 2000; *Statistical Abstract of the United States*, 1996, 1999, 2000 (state rank, rural population, poverty rate, and nonfarm employment by industry); U.S. Department of Labor, Bureau of Labor Statistics (unemployment rates).

NOTE: N/A indicates that data are not applicable.

research districts include about two-thirds of Vermont's cash assistance caseload. (Appendix Table A.1 provides some basic information on each of the research districts.)

Characteristics of the research sample. Table 3 shows selected characteristics and the attitudes and opinions of the single-parent sample members when they entered the evaluation. These data were drawn from the Background Information Forms (BIFs) and the Private Opinion Survey (POS), which were completed just before random assignment. As the table shows, nearly all the single-parent sample members are women, and their average age at the time of random assignment was 31. Most sample members had small families (the average number of children was 1.8), but more than one-third had at least one child under age 3.

The baseline data also show that Vermont's cash assistance caseload was not as disadvantaged as recipients in many other states. Nearly three-fourths of the sample members had at least a high school diploma at the point of random assignment. Almost all sample members (92 percent) had at least some work experience. Most sample members, however, had little *recent* work experience: Just over half had not worked in the year before the study.[15]

Overall, responses to the POS indicate that most sample members expressed negative views of welfare and expected to be working and off welfare relatively quickly. For example, more than four-fifths said that they expected to be working one year later, and only one-fourth said that they expected to be receiving welfare at that point. At the same time, however, the responses indicate that many sample members were concerned about their ability to support their families through work. Over 75 percent reported that they faced at least one of five specific barriers to employment listed on the survey. Many sample members were concerned about the financial trade-offs involved in going to work, which can be particularly onerous in a state like Vermont that pays relatively high welfare grants. For example, more than 60 percent of the survey respondents said that being on welfare provided for their family better than working could.[16]

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[15] Appendix Table A.2 presents additional measures from the BIF for the single-parent report sample, and Appendix Table A.3 presents this information separately for each of the research districts. Appendix Tables A.4 and A.5 present selected measures from the BIF for sample members who were members of two-parent families when they entered the study.

[16] Appendix Table A.6 shows all the measures from the POS for the single-parent report sample. Results from the POS were good predictors of eventual outcomes on employment and cash assistance receipt. For example, sample members who reported barriers to employment on the POS had weaker employment outcomes than those who did not report barriers. Also, sample members who said that they expected to be working a year from the time they responded to the POS had stronger employment outcomes than those who said that they did not expect to be working. Appendix Table D.16 presents WRP's effects on employment and cash assistance receipt for various subgroups of sample members defined using POS responses.

Vermont's Welfare Restructuring Project

Table 3

Selected Characteristics and Attitudes and Opinions of Single-Parent Sample Members at the Time of Random Assignment

Characteristic	Report Sample
Selected characteristics	
Gender/sex (%)	
Female	93.3
Male	6.7
Average age (years)	30.8
Average number of children	1.8
Age of youngest child (%)	
Under 3[a]	36.9
3-5	22.8
6-12	29.7
13-18	10.6
Ever worked (%)	91.7
Ever worked full time for 6 months or more for one employer[b] (%)	61.6
Has a diploma or GED[c] (%)	73.1
Client-reported barriers to employment	
Among those not currently employed, the percentage who agreed or agreed a lot that they could not work part time right now for the following reasons:[d]	
No way to get there every day	40.6
Cannot arrange for child care	39.6
A health or emotional problem, or a family member with a health or emotional problem	32.8
Too many family problems	27.5
Already have too much to do during the day	25.5
Any of the above five reasons	75.7
Client-reported expectations regarding employment	
Percentage who agreed or agreed a lot that:	
It will probably take them more than a year to get a full-time job and get off welfare	58.6
They would take a full-time job today, even if the job paid less than welfare	25.7
If they got a job, they could find someone they trusted to take care of their children	79.3
A year from now they expect to be working	82.4
A year from now they expect to be receiving welfare	26.6

(continued)

Table 3 (continued)

Characteristic	Report Sample
Client-reported attitudes toward welfare	
Percentage who agreed or agreed a lot with the following statements:	
I feel that people look down on me for being on welfare	67.8
I am ashamed to admit to people that I am on welfare	60.6
Right now, being on welfare provides for my family better than I could by working	60.7
I think it is better for my family that I stay on welfare than work at a job	17.9
Sample size[e]	5,469

SOURCES: MDRC calculations using data from Background Information Forms and the Private Opinion Survey (POS).

NOTES: In most of the attitude and opinion item groupings, individuals could agree or agree a lot with more than one statement. Therefore, distributions may add up to more than 100 percent.

Invalid or missing values are not included in individual variable distributions.

Rounding may cause slight discrepancies in calculating sums and differences.

[a]Includes sample members pregnant with their first child.

[b]Full-time employment is defined as 30 hours or more per week.

[c]The General Educational Development (GED) certificate is given to those who pass the GED test and is intended to signify knowledge of basic high school subjects.

[d]Part-time employment is defined as a minimum of 10 hours per week.

[e]The sample size includes the 159 sample members who chose not to fill out a POS.

Data Sources, Samples, and Time Frame for the Analysis

Data sources. The WRP evaluation drew on a wide variety of data sources, including administrative records of public assistance payments, records of earnings reported to the unemployment insurance (UI) system, and an in-depth survey of sample members. Box 2 describes these and the evaluation's other data sources.

Evaluation sample. As discussed earlier, cash assistance applicants and recipients were randomly assigned to the three research groups throughout Vermont between July 1994 and December 1996. Shown in Figure 1, the 10,637 people randomly assigned during this period in

Box 2

Data Sources Used in This Report

Baseline data. Two brief baseline information forms — the Background Information Form (BIF) and the Private Opinion Survey (POS) — were completed just before each member of the research sample was randomly assigned.

Field research. MDRC staff visited each of the research districts approximately yearly between 1994 and 2001. During these visits, MDRC staff interviewed WRP line workers and supervisors, and they observed program activities.

Staff surveys. Written surveys were administered to virtually all welfare eligibility specialists and Reach Up workers in the research districts in mid-1996. A total of 82 eligibility workers and 72 Reach Up workers completed surveys (more than 90 percent of each staff).

Computerized administrative records. DSW provided computerized administrative records, including:

- **Cash assistance and Food Stamp records.** These data (drawn from the state's welfare computer system, ACCESS) record monthly cash assistance and Food Stamp payments issued to all sample members. The data cover the period from July 1992 — two years before the first random assignment — through June 2001.
- **Quarterly earnings data.** These data include sample members' quarterly earnings, as reported by employers in both Vermont and New Hampshire to those states' unemployment insurance systems. The data cover the period from the third quarter of 1992 through the second quarter of 2001.
- **Reach Up participation data.** These data record monthly participation in specific employment and training activities provided through Reach Up, the state's welfare-to-work program during the study. The data cover the period from July 1994 through June 2001.
- **Work requirement status data.** These data provide information on whether sample members were meeting the time-triggered work requirement.
- **Child care payment data.** These data record monthly child care assistance payments issued to all sample members. The data cover the period from July 1994 through June 2001.
- **Transportation and miscellaneous support services data.** These data record payments issued to sample members for transportation and services such as car repairs, relocation assistance, and work-related supplies. The data cover the period from July 1994 through June 2001.

42-Month Client Survey. A total of 1,872 sample members (1,256 single parents and 616 respondents from two-parent families) were interviewed by a subcontractor in 1998 and 1999, approximately 42 months after each person's random assignment date. The survey achieved an 80 percent response rate. Respondents answered a set of questions about employment, child outcomes, and other issues.

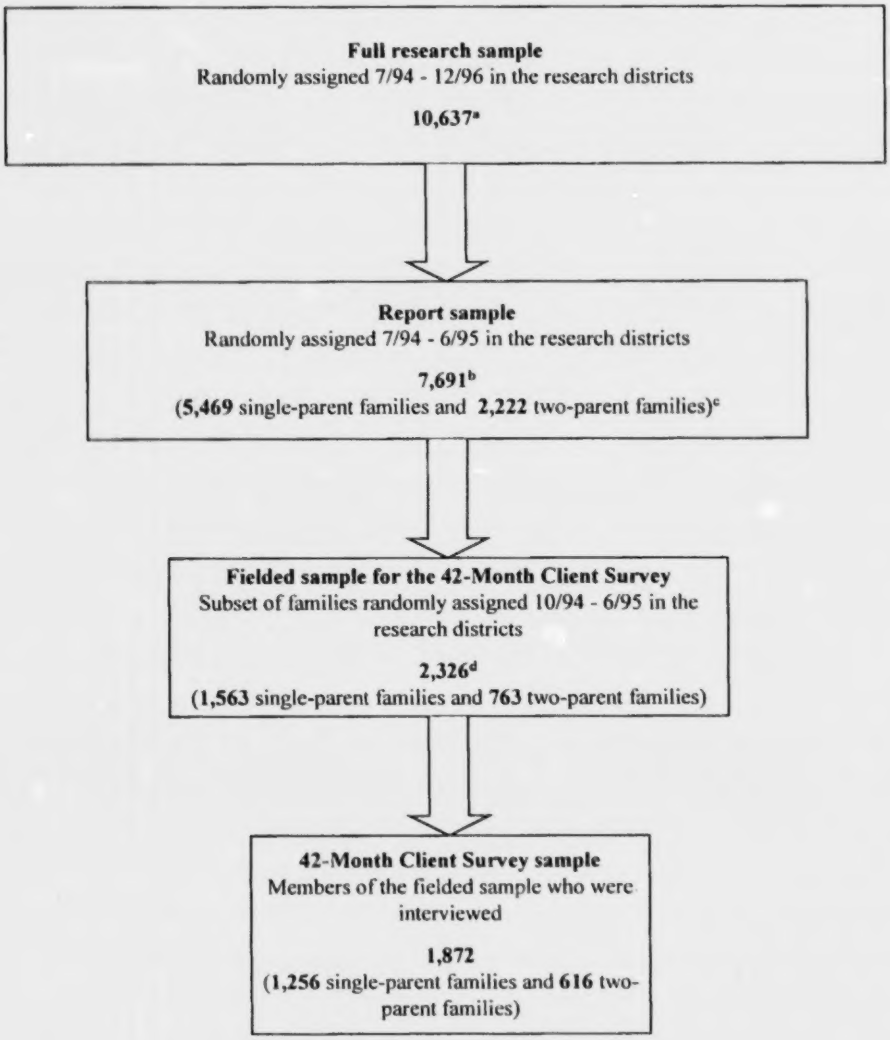
Community service employment (CSE) surveys. In 2000, surveys were administered to 81 CSE participants and to 79 CSE supervisors across the state of Vermont.

Program expenditure data from DSW. These data were used to estimate the costs of WRP and the ANFC program.

Vermont's Welfare Restructuring Project

Figure 1

Samples and Subsamples Used in This Report



Full research sample
Randomly assigned 7/94 - 12/96 in the research districts
10,637[a]

Report sample
Randomly assigned 7/94 - 6/95 in the research districts
7,691[b]
(**5,469** single-parent families and **2,222** two-parent families)[c]

Fielded sample for the 42-Month Client Survey
Subset of families randomly assigned 10/94 - 6/95 in the research districts
2,326[d]
(**1,563** single-parent families and **763** two-parent families)

42-Month Client Survey sample
Members of the fielded sample who were interviewed
1,872
(**1,256** single-parent families and **616** two-parent families)

NOTES: [a]This figure excludes minor parents and cases with invalid Social Security numbers. Nonrelative caretakers are also excluded. The corresponding figure for the statewide sample is 17,175.

[b]The corresponding figure for the statewide sample is 12,183.

[c]The figure for two-parent families includes 1,652 ANFC-UP families and 570 families with an incapacitated parent.

[d]This figure does not include the 176 two-parent families who had an incapacitated parent.

the research districts are referred to as the *full research sample* for the WRP evaluation (The total sample, including cases randomly assigned outside the research districts, is 17,175.)[17] However, the impact analysis presented in this report focuses primarily on a subset of these cases — the 7,691 people randomly assigned in the research districts between July 1994 and June 1995. This group is referred to as the *report sample*. It includes the entire "on-board" caseload in the research districts (people who were already receiving cash assistance when WRP began) as well as people who applied for assistance during the first year of WRP's operations. (The report also includes some results for all cases randomly assigned between July 1994 and June 1995 throughout the state — a total of 12,183 cases — and for the cases in the research districts randomly assigned between July 1995 and December 1996.)

A subset of the sample members who were randomly assigned between October 1994 and June 1995 was selected to be surveyed about three-and-a-half years after entering the study (the *fielded sample* illustrated in Figure 1). Eighty percent of these sample members responded to the survey; these 1,872 individuals make up the *42-Month Client Survey sample*.

Most members of the report sample (71 percent) were single parents when they entered the study. The rest were members of one of two categories of two-parent families. The first category, in which both parents are able-bodied, received benefits through the ANFC-Unemployed Parent (UP) program. The second includes families in which a parent is incapacitated ("incap"). The report separately examines WRP's effects for single parents and for each category of two-parent families. In general, WRP's rules for the so-called incap two-parent families were similar to those for single parents, but the rules were quite different for ANFC-UP families. (WRP's policies for two-parent UP families are described later.)

The impact analysis presented in this report is based on data from Vermont's administrative records and the 42-Month Client Survey (see Box 2). Because the quarterly earnings data from the UI system cover through the second quarter of 2001, there are at least 24 quarters of post-random assignment earnings data available for each member of the report sample. In other words, 24 quarters (six years) elapsed between the date when the last member of the report sample was randomly assigned (June 30, 1995) and the last date for which earnings data are available (June 30, 2001). There are also six years of cash assistance and Food Stamp data available.[18] As noted in Box 2, the client survey data cover the 42 months after each respondent's date of random assignment. These follow-up periods are illustrated in Figure 2.

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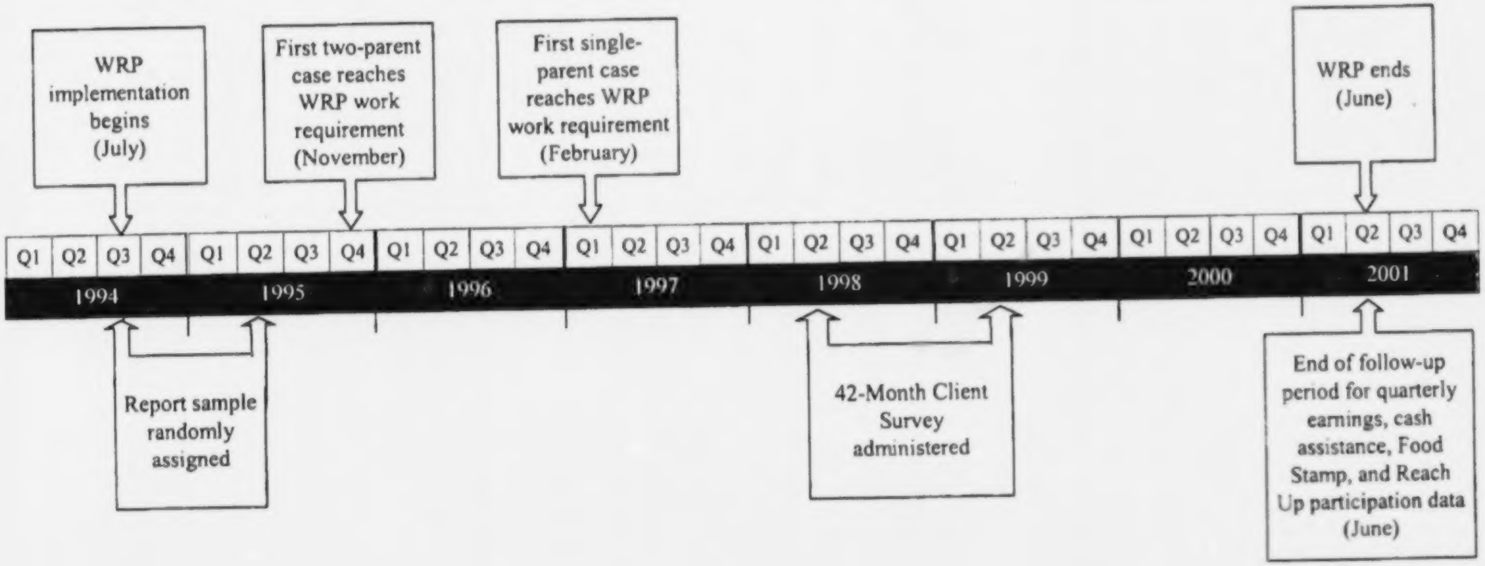
[17] Nonrelative caretakers, minor parents, and cases randomly assigned with invalid Social Security numbers were excluded from the research sample.

[18] Fewer months of follow-up are available for sample members who were randomly assigned after June 1995.

Vermont's Welfare Restructuring Project

Figure 2

Milestones in WRP's Implementation and Periods Covered by the Administrative Records and Survey Data Used in This Report


WRP implementation begins (July)
First two-parent case reaches WRP work requirement (November)
First single-parent case reaches WRP work requirement (February)
WRP ends (June)
Q1 Q2 Q3 Q4
1994
1995
1996
1997
1998
1999
2000
2001
Report sample randomly assigned
42-Month Client Survey administered
End of follow-up period for quarterly earnings, cash assistance, Food Stamp, and Reach Up participation data (June)

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Subgroups. The impact analysis also compares the results for various *subgroups* — subsets of the report sample defined by their baseline characteristics — in order to see whether WRP had different impacts for different groups of people. The most important subgroup analysis compares people who entered WRP with differing levels of disadvantage. The analysis also looks at WRP's impacts for each of the six research districts and for several other subgroups.

Implementation for Single-Parent Families

DSW was responsible for implementing WRP and for serving families in all three research groups. Two types of DSW staff had the most intensive contact with recipients: eligibility specialists, who were responsible for determining eligibility for assistance and calculating grant amounts; and Reach Up case managers, who worked with participants to develop and implement an employment plan. Partway through the study period, DSW created a new, hybrid position — Family Services Case Manager — that combined the eligibility and case management functions (although there continued to be specialized workers).

The Vermont Department of Employment and Training (DET) also played a key role in implementing WRP. DET was responsible for administering the mandatory job search activities for single-parent recipients who reached Month 29 of cash assistance as well as for developing CSE positions and placing recipients into those slots if they were not employed by the end of Month 30. DSW/Reach Up case managers continued to oversee recipients' cases during this period.

The evaluation's implementation analysis focused most intensively on the first three or four years of WRP's operations, when many members of the research sample were still receiving cash assistance. Thus, the findings on implementation are discussed in detail in the 1998 interim report.[19] Key implementation issues and findings include the following:

- **WRP was carefully planned and generally well implemented, and it generated important overall changes in Vermont's welfare system.**

DSW used a careful, inclusive process to plan WRP's implementation, and there were few major operational problems. Management information systems, forms, and information sheets for recipients were in place when they were needed, and staff received training on their new roles and responsibilities.

One of DSW's key goals was to refocus Vermont's welfare system on helping — and, if necessary, requiring — recipients to move toward employment and self-sufficiency. Data from staff surveys clearly show that both eligibility and Reach Up staff believed that WRP generated important changes in their jobs and in the way they interacted with recipients. For example, in the staff survey, 84 percent of eligibility staff reported that, as a result of WRP, the job of an eligibility specialist was more about helping people get off welfare. It is important to note, however, that concrete changes in eligibility specialists' activities were fairly modest. Most workers did not, for example, proactively contact recipients (outside of regularly scheduled redetermination appointments) to inquire about their efforts to find employment.

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[19] Bloom, Michalopoulos, Walter, and Auspos, 1998.

Changes were more dramatic in Reach Up, a program that had, since its inception, maintained a strong focus on education and training, social work assistance, and voluntary participation. Even before any recipients reached the work requirement, 78 percent of Reach Up case managers reported in a survey that they talked to clients more often about going to work, and 82 percent reported that they were more likely to refer clients to job search activities. Initially, many Reach Up staff voiced concerns about WRP — they believed that the new program would inappropriately push recipients into low-wage jobs — but, in later years of the study, most case managers seemed much more supportive.

- **There were only modest differences in the "treatment" received by the three research groups in the first part of the follow-up period; nevertheless, the WRP group was somewhat more likely to participate in Reach Up even before anyone was required to do so.**

No one in any of the three research groups was required to work or participate in any employment services during the first 28 months of the follow-up period. Thus, there are only a few ways in which WRP could have generated effects on employment, welfare receipt, or other key outcomes during that period.

First, staff could have provided more assistance or communicated a different message to recipients in the two WRP groups than to recipients in the ANFC group. Data collected from surveys and interviews, however, suggest that — beyond explaining the new rules — eligibility and Reach Up staff did *not* work much differently with recipients in the three groups. This was expected, because DSW focused more on generating overall changes in Vermont's welfare system than on creating sharp distinctions among the groups. In other words, the changes discussed earlier, while critical, would not necessarily generate impacts that can be measured in the study, because they affected recipients in all three groups.

Second, the financial incentives could have motivated members of the WRP and the WRP Incentives Only groups to go to work. It appears that staff did a reasonably good job of explaining the new rules to recipients, but, as noted earlier, the WRP incentives were only modestly more generous than the rules that applied to the ANFC group.

Third, the WRP group could have been motivated by the impending work requirement. Once again, staff did a good job of informing recipients about the requirement, but its potential effects on behavior are not clear. Some people might have responded by going to work sooner, knowing that they would have to find work eventually, while others might have taken the opportunity to enroll in education or training activities, which were still strongly encouraged through Reach Up. Staff reported that many recipients — perhaps confused by press reports describing the 1996 federal law or welfare changes in other states — believed that the time-triggered work requirement was actually a time limit on welfare benefits. (In fact, the policy was officially referred to as a "time limit" in the early years of the study, before the meaning of the term evolved to include only limits that canceled or reduced families' benefits.)

Despite the modest treatment difference, Table 4 shows that the WRP group was somewhat more likely to participate in Reach Up even before anyone was required to do so. During Years 1 and 2, for example, 38 percent of the WRP group participated in a Reach Up activity, compared with 34 percent of the ANFC group. Although not very large, this difference is statistically significant (as indicated by the asterisks in Table 4), meaning that it is very likely that WRP really increased participation in Reach Up.

As expected, the difference between the WRP and the ANFC groups increased dramatically during Years 3 and 4, as some parents in the WRP group became subject to the work requirement. Thirty-four percent of the WRP group participated in Reach Up during that period, compared with 20 percent of the ANFC group. Almost all the increase was in job search and job-readiness activities, which were mandated for recipients approaching the work requirement.[20] In addition, further analysis (Appendix Table B.1) showed that virtually all the effect was driven by the work requirement; the WRP Incentives Only group was no more likely than the ANFC group to participate in Reach Up.

In considering the participation rates in Table 4, it is important to note that Reach Up was available only to people who were receiving cash assistance. Figure 3 shows that the proportion of the WRP group receiving cash assistance dropped dramatically during the follow-up period. For example, in Month 24 — before anyone was required to participate or work — about 12 percent of the full WRP group were participating in a Reach Up activity (not shown on the table or figure). But since more than half the group were off welfare at that point, the participation rate among those receiving assistance was 25 percent. Given this pattern, it is not surprising that the participation rates for both groups were quite low in Years 5 and 6: Relatively few people were still receiving cash assistance by that time.

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[20] As Appendix Table B.2 shows, rates of participation in Reach Up activities were relatively similar across the six research districts.

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Table 4

Participation in Employment-Related Activities Within a Six-Year Follow-Up Period for Single-Parent Sample Members

Activity	WRP Group (%)	ANFC Group (%)	Difference (Impact)	Percentage Change (%)
Years 1-2				
Ever participated in any activity	38.4	34.4	4.1 **	11.8
Ever participated in:				
Job search	17.0	14.2	2.8 **	19.6
Education and training	30.2	26.2	4.0 ***	15.2
Basic education	9.3	7.8	1.5 *	19.9
College	17.3	15.4	1.9	12.4
Vocational training	9.1	7.6	1.5	20.0
Work experience	6.7	5.5	1.2	21.8
Job readiness	11.1	8.7	2.4 **	27.7
Career counseling	1.5	1.1	0.4	35.9
Years 3-4				
Ever participated in any activity	33.5	20.0	13.6 ***	68.0
Ever participated in:				
Job search	24.6	7.9	16.7 ***	212.6
Education and training	17.6	14.9	2.7 **	18.1
Basic education	5.7	4.6	1.1	24.1
College	8.6	8.5	0.1	0.8
Vocational training	5.5	4.3	1.2	28.4
Work experience	2.7	3.2	-0.5	-16.0
Job readiness	9.4	5.3	4.1 ***	77.1
Career counseling	0.1	0.1	0.0	-28.0
Years 5-6				
Ever participated in any activity	19.8	13.9	5.9 ***	42.5
Ever participated in:				
Job search	13.1	7.1	6.0 ***	84.6
Education and training	7.7	8.1	-0.4	-4.8
Basic education	2.9	3.1	-0.3	-8.5
College	3.6	4.2	-0.6	-14.5
Vocational training	2.0	1.4	0.6	43.6
Work experience	1.4	1.1	0.2	20.1
Job readiness	4.5	4.0	0.5	13.6
Career counseling	0.0	0.1	-0.1 *	-100.8

(continued)

Table 4 (continued)

Activity	WRP Group (%)	ANFC Group (%)	Difference (Impact)	Percentage Change (%)
Years 1-6				
Ever participated in any activity	55.2	43.8	11.4 ***	26.0
Ever participated in:				
Job search	39.1	23.7	15.4 ***	64.7
Education and training	38.5	33.2	5.3 ***	15.8
Basic education	13.8	11.4	2.4 **	21.0
College	20.7	18.7	1.9	10.3
Vocational training	13.5	10.9	2.6 **	23.4
Work experience	9.0	8.4	0.7	7.8
Job readiness	20.0	14.8	5.3 ***	35.6
Career counseling	1.5	1.1	0.4	35.9
Sample size	3,271	1,110		

SOURCE: MDRC calculations using Reach Up automated participation data.

NOTE: A two-tailed t-test was applied to all estimated impacts. Statistical significance levels are indicated as: ***=1 percent; **=5 percent; and *=10 percent.

(Appendix Table B.3 shows results from the 42-Month Client Survey, which captured both participation in Reach Up activities and participation in employment-related activities not arranged by Reach Up — for example, activities that people entered after they left welfare.)

- **The WRP work requirement was implemented as planned, but, contrary to initial expectations, very few community service employment (CSE) slots were needed.**

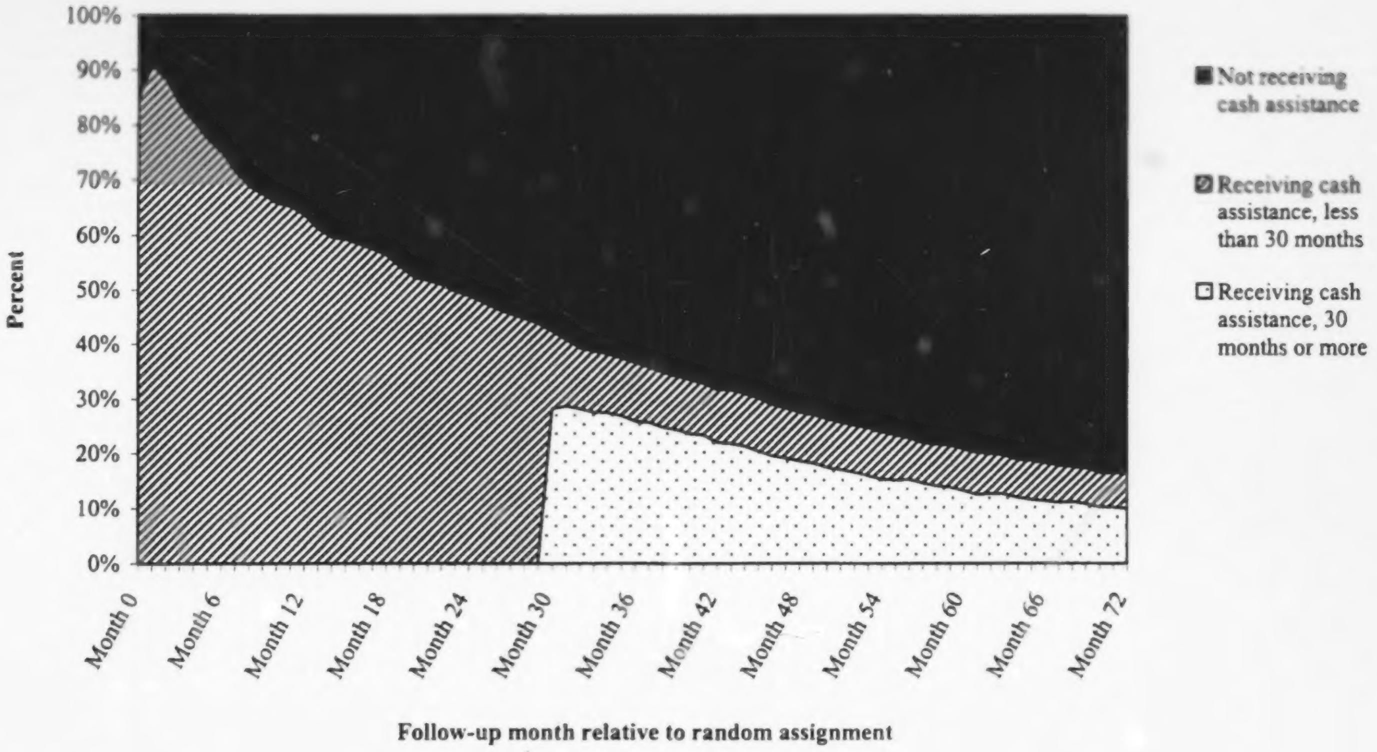
When WRP was being designed, planners assumed that a large number of recipients would accumulate 30 months of cash assistance receipt, become subject to the work requirement, and be unable to find unsubsidized jobs. In 1994, DSW estimated that the number of "active" CSE slots would peak at about 1,700. Thus, although DSW strongly preferred that recipients work in unsubsidized jobs, WRP's success seemed to hinge on the department's ability to administer a large-scale subsidized employment program — a feat rarely accomplished in prior welfare programs.

In fact, the number of recipients in a CSE slot *statewide* never exceeded 70 at any point in time. Among the 3,271 single parents in the WRP group, only 101 (3 percent) ever worked in a CSE slot within six years after entering the study, and only 66 (2 percent) worked in CSE for more than three months. The only research district in which CSE was used somewhat extensively was Newport, where 10 percent of single parents in the WRP group worked in a CSE

Vermont's Welfare Restructuring Project

Figure 3

Status of Single-Parent Families in the WRP Group



SOURCE: MDRC calculations using data from Vermont ANFC records.

position. The unemployment rate in the Newport area was higher than in the other districts throughout the study period.

The low demand for CSE slots could have been caused by lax enforcement of the work requirement, but MDRC's analysis indicates that this was not the case. In fact, few CSE slots were needed because relatively few recipients received welfare long enough to become subject to the work requirement, and most of those who were required to work were able to find unsubsidized jobs. In other words, the small number of CSE slots was a desirable outcome. Evaluations of welfare reform waiver projects in Delaware and Virginia — both of which required participation in work experience programs for welfare recipients who could not find jobs — also found that few slots were needed.[21]

The bottom section of Figure 3 shows the proportion of the full WRP group that was potentially subject to the work requirement — that is, currently receiving cash assistance and past the 30-month point — in each month of the study period. As expected, virtually no one could have been subject to the work requirement before Month 30. The proportion peaked at about 29 percent shortly after Month 30 and then quickly declined. As the figure shows, the main reason why such a small fraction of the WRP group was potentially subject to the work requirement at any point is that most of the group had left welfare (the top section). In fact, less than half the WRP group accumulated 30 or more months of cash assistance receipt during the entire six-year study period. As will be discussed later, much of the decline in welfare receipt was not attributable to WRP, because the pattern looked quite similar for the ANFC group.

Figure 4 shows the status of the WRP group members who were past the 30-month point and receiving cash assistance in three specific months — September 1997, March 1999, and September 2000. In each month, between 16 percent and 32 percent of the recipients who were past the 30-month point were exempt from the work requirement. Most of the exemptions were granted to recipients with medical problems. Because no one was required to work initially, Vermont did not seek to identify exemptions until recipients approached the work requirement. Most medical exemptions had to be approved by a medical assessment contractor; they could not be granted by individual caseworkers. In addition, many of the exempt recipients were required to participate in rehabilitation, education, or training during the exemption. The proportion exempt increased over time, perhaps because the exempt recipients tended to accumulate on the rolls, while nonexempt recipients were more likely to exit over time. In inter-

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[21] In Virginia, where a work requirement took effect after just 90 days, only 5 percent to 7 percent of program group members participated in a community work experience position (see Gordon and James-Burdumy, 2002). In Delaware, the number of referrals for workfare assignments was half of what had been projected, and only 16 percent of those referred ever participated in workfare (Fein, Long, Behrens, and Lee, 2001).

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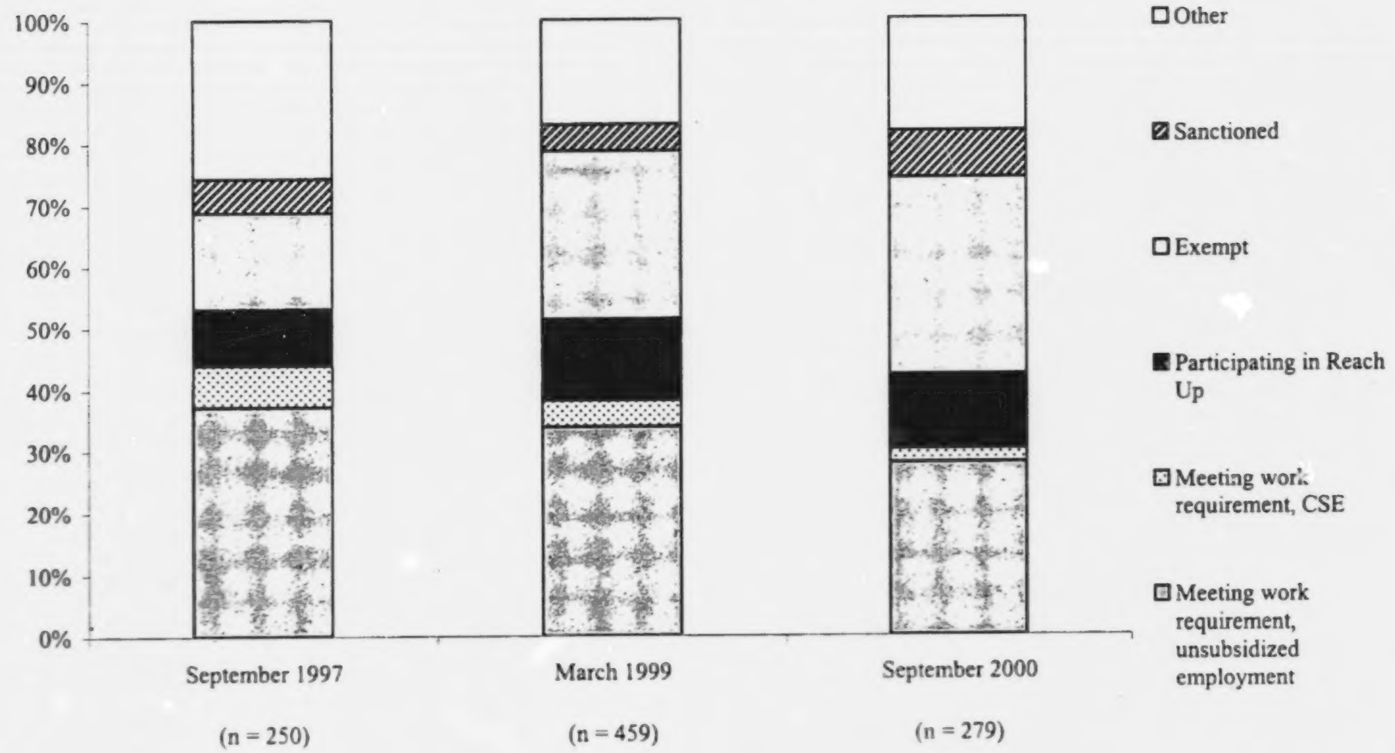
Figure 4

Status in Selected Months of Single Parents in the WRP Group Who Had Received at Least 30 Months of Cash Assistance



SOURCE: MDRC calculations using data from Vermont ANFC records.

views, Reach Up staff noted that stigma or fear prevented some obviously incapacitated recipients from requesting an exemption.

A small fraction of recipients who were past the 30-month point (4 percent to 8 percent) were being sanctioned for noncompliance in each month. As noted earlier, there were no financial sanctions for single parents under WRP; rather, recipients who were sanctioned lost control of their grant and had to attend three meetings at the welfare office each month in order to continue receiving benefits. Eligibility staff consistently complained that this form of sanction was more onerous for staff (because of the increased work involved) than for recipients. However, many Reach Up staff reported that recipients did not want to incur such a sanction, which suggests that it may have motivated recipients to comply. Some staff also said that a sanction of this type could sometimes provide a needed "break" for a recipient who was going through a traumatic personal or family crisis.

About 30 percent to 45 percent of the recipients who were past the 30-month point (about 45 percent to 52 percent of those who were nonexempt) were meeting the work requirement, and the vast majority were in unsubsidized jobs. DSW and DET staff strongly sold the financial advantages of unsubsidized employment and tried to avoid using CSE unless necessary.[22] In a booming labor market, with the large majority of recipients subject to a part-time work requirement, most parents were able to find an unsubsidized job.

Roughly 10 percent of recipients who were past the work requirement were participating in Reach Up, and the vast majority were in a job search activity. Under program rules, recipients who were past the 30-month point and lost a job (or left welfare and returned) were reassigned to a two-month job search before being required to work. In a small number of cases, DET staff appeared to be favoring unsubsidized employment so strongly that they had allowed a recipient to continue searching for work past the 30-month point, when she or he should have been in a CSE position.

Finally, in a typical month, slightly less than 20 percent of the recipients who were past the 30-month point were in none of the appropriate statuses. MDRC conducted detailed reviews of case files to understand the status of those cases and found that few had fallen through the cracks. Many of the cases were quite dynamic, and, as a result, a substantial proportion of cases were between statuses at any point. For example, some parents were moving toward an exemption but had not yet obtained the needed documentation of their medical condition; staff seemed willing to tolerate some delays if they believed that the recipient had a legitimate medical problem and was diligently trying to obtain the needed verification.

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[22] CSE positions always paid minimum wage. Also, the earned income disregard was more generous for those working in unsubsidized employment. Finally, recipients could satisfy the work requirement by working in unsubsidized employment for 75 percent of their total required hours.

Other recipients were moving in and out of compliance but had not yet been sanctioned. Some of them were in the conciliation process that could lead to a sanction. MDRC found that some Reach Up staff were fairly strict in enforcing the requirements; for example, they initiated the conciliation process almost immediately when a recipient missed an appointment without good cause. Most staff, however, seemed willing to bend over backwards to accommodate recipients who, in their view, were making a good-faith effort but were having difficulty finding employment. Staff were particularly likely to be lenient with recipients who were experiencing problems — for example, family crises — that did not qualify them for an exemption.

There were also a few cases in which the recipient was awaiting a CSE placement. These delays were not caused by an overall shortage of CSE slots but, rather, by difficulties in matching particular recipients with slots. For example, in rural areas, it was sometimes difficult to find a slot that was accessible to the recipient's home. Or sometimes staff had difficulty placing recipients who had "a reputation" in their community. In a few offices, communication problems between the DSW/Reach Up staff and the DET staff resulted in delays in placing recipients into CSE slots.

- **Of the few parents who participated in CSE, most had positive views of the experience.**

As noted earlier, in 2000, a subcontractor to MDRC conducted a survey of former CSE participants. The survey targeted all 101 parents who were assigned to a CSE position statewide at any point during 1999, and a total of 81 interviews were conducted. A second survey targeted the primary worksite supervisor of each of the parents in the CSE participant survey; a total of 79 supervisors were interviewed.

CSE was designed to serve a dual purpose: (1) to give parents meaningful work in order to meet the WRP work requirement and (2) to improve participants' ability to obtain unsubsidized jobs. The CSE design combined elements of other subsidized employment models, including unpaid community work experience and public service employment. Recipients working in CSE positions were paid for the hours they worked, and their wages qualified for the federal and state Earned Income Credits (EICs, a refundable credit against income taxes for low-income taxpayers). The paychecks were administered by a payroll firm, working under contract to DSW. However, a recipient who missed hours of work could, under certain circumstances, have her welfare grant increased to make up for the lost wages.

MDRC's survey found that parents who were placed in CSE slots generally had positive views about their experiences. Most thought that it was fair that they were required to work in CSE, and large majorities reported that they did meaningful work and increased their skills. For example, 80 percent believed that the work they did was necessary for the company, and 90 percent were somewhat or very satisfied with their CSE position. Nearly 60 percent of respondents reported that they had worked in an unsubsidized job at some point since starting CSE.

Most CSE supervisors also reported positive experiences with the CSE program and felt that CSE workers were generally comparable to non-CSE employees doing similar work. Supervisors reported that they went beyond basic supervision to help participants address barriers to stable attendance on the job.

The results of the CSE participant and supervisor surveys are described in more detail in a separate report prepared by MDRC.[23]

Effects for Single-Parent Families

This section presents the effects of WRP for individuals who were single parents when they entered the study. Administrative records of cash assistance receipt, Food Stamp receipt, and quarterly earnings in UI-covered jobs are available for all 5,469 single-parent sample members in the report sample. Six years of administrative records data are available for all sample members, which allows for an assessment of WRP's long-term impacts. Outcomes such as job characteristics, health coverage, and child outcomes were examined using survey data, which are available for 1,256 single-parent sample members who responded to the 42-Month Client Survey. (The survey achieved an 80 percent response rate.)[24]

This section focuses on comparisons between outcomes for the WRP group and the ANFC group, which, as discussed earlier, show the effect of the full package of WRP services and requirements. The appendices present comparisons between the WRP Incentives Only group and the ANFC group (showing the impact of the financial incentives alone) and comparisons between the WRP group and the WRP Incentives Only group (showing the impact of adding the work requirement to the financial incentives).

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[23] Sperber and Bloom, 2002.

[24] See Appendix C for the survey response analysis. Appendix C also presents other technical issues, including a comparison of the employment results based on UI data with results based on the 42-Month Client Survey; an analysis of the income sources for sample members with no income in the administrative records; an explanation of how MDRC estimated the tax-adjusted income; and a discussion of the rates at which the three groups of sample members reported their earnings to DSW.

Effects on Employment, Public Assistance, and Income for Single-Parent Families

The key findings for single-parent families on employment, public assistance, and income are presented below. (Appendix D presents additional detail as well as results for the WRP Incentives Only group.)

- **Over the six-year follow-up period, WRP increased employment and earnings and decreased cash assistance payments among single-parent families. The program did not affect sample members' total income.**

Table 5 presents WRP's effects on employment, earnings, public assistance, and income from those sources over the six-year follow-up period. As the first row of the table shows, 52 percent of the WRP group were employed in an average quarter, compared with 47 percent of the ANFC group — an increase of 6 percentage points. WRP also boosted participants' earnings, by $508 (or 9 percent) per year over the follow-up period.[25] It is important to note that the earnings figures are overall averages, including both sample members who worked and those who did not. Employed WRP group members earned an average of $11,548 per year over the six-year period (not shown).[26]

Table 5 also shows that WRP decreased cash assistance payments, by $299 (12 percent) per year. Because the decreases in welfare almost offset the increases in earnings, WRP did not affect the total income that sample members received from earnings, cash assistance, and Food Stamps. (The small income increase shown in the table is not statistically significant.)[27]

- **The pattern of impacts changed over time: WRP's effects were closely associated with the onset of the 30-month work requirement.**

Employment and earnings. Figure 5 illustrates WRP's impacts over time on employment rates and cash assistance receipt. The figure tracks the two outcomes for the WRP group and the ANFC group, and the distance between the graph lines represents the program's impact on each measure. The upper panel of the figure shows that although WRP increased employment slightly just after random assignment, not surprisingly, the effect grew once sample members began reaching the 30-month work requirement (which occurred in Quarter 10 of the follow-up period). At the peak of the effect, in Quarter 13 (the beginning of Year 4), the employ-

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[25] Wages from CSE jobs were counted as earnings in the impact analyses presented in this report.

[26] This was calculated by dividing the WRP group's average annual earnings by the average quarterly employment rate ($6,005/0.52).

[27] Appendix Table D.1 presents six-year impacts for the statewide sample of single parents. Findings are similar to those for the research districts.

Vermont's Welfare Restructuring Project

Table 5

Six-Year Impacts of WRP for Single-Parent Families

Outcome	WRP Group	ANFC Group	Difference (Impact)	Percentage Change (%)
Years 1-6				
Average quarterly employment (%)	52.0	46.5	5.5 ***	11.8
Average quarterly percentage receiving cash assistance (%)	43.1	44.9	-1.9 *	-4.1
Average quarterly percentage receiving Food Stamps (%)	54.8	55.7	-0.9	-1.7
Number of months of cash assistance received	29.4	30.9	-1.5 **	-4.9
Average annual earnings ($)	6,005	5,497	508 ***	9.2
Average annual cash assistance payments ($)	2,310	2,609	-299 ***	-11.5
Average annual Food Stamp payments ($)	1,188	1,213	-25	-2.1
Average annual income from earnings, cash assistance, and Food Stamps ($)	9,503	9,319	184	2.0
Average annual tax-adjusted income[a] ($)	10,029	9,773	255	2.6
Sample size	3,271	1,110		

SOURCES: MDRC calculations using data from Vermont and New Hampshire unemployment insurance earnings records, Vermont ANFC records, and Vermont Food Stamp records.

NOTES: [a]This measure includes income from earnings, cash assistance, and Food Stamps; federal, state, and payroll taxes; and the federal and state Earned Income Credits.

Dollar averages include zero values for sample members who were not employed or were not receiving cash assistance or Food Stamps. Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

A two-tailed t-test was applied to all estimated impacts. Statistical significance levels are indicated as: ***=1 percent; **=5 percent; and *=10 percent.

Rounding may cause slight discrepancies in calculating sums and differences.

ment rate for the WRP group was 10 percentage points higher than for the ANFC group (58 percent, compared with 48 percent).[28]

Table 6 makes a similar point by showing WRP's impacts for three follow-up periods: Years 1 and 2, before anyone was subject to the work requirement; Years 3 and 4, when many WRP group members reached the work requirement; and Years 5 and 6, the long-term follow-

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[28] Appendix Table D.2 presents WRP's effects on the three research groups' employment rates, earnings, cash assistance receipt and payments, and Food Stamp receipt and payments for each quarter of the follow-up period.

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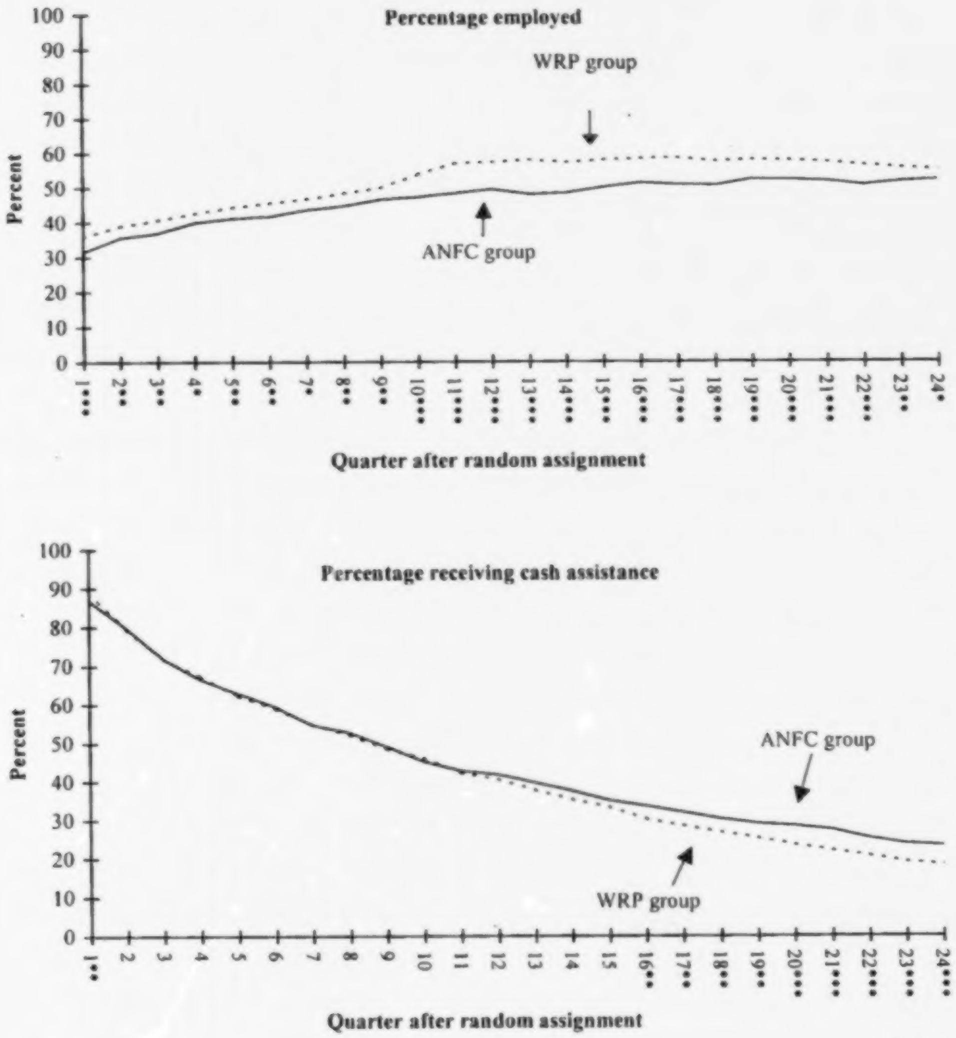
Vermont's Welfare Restructuring Project

Figure 5

Rates of Employment and Cash Assistance Receipt for Single-Parent Families



SOURCES: MDRC calculations using data from Vermont and New Hampshire unemployment insurance earnings records and Vermont ANFC records.

NOTE: A two-tailed t-test was applied to differences between the research groups. Statistical significance levels are indicated as: ***=1 percent, **=5 percent, *=10 percent.

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Vermont's Welfare Restructuring Project

Table 6

Impacts of WRP for Single-Parent Families Over Time

Outcome	WRP Group	ANFC Group	Difference (Impact)	Percentage Change (%)
Years 1-2				
Average quarterly employment (%)	42.8	39.4	3.5 ***	8.8
Average quarterly percentage receiving cash assistance (%)	67.0	66.9	0.2	0.2
Average quarterly percentage receiving Food Stamps (%)	75.5	75.9	-0.4	-0.5
Average annual earnings ($)	3,660	3,482	177	5.1
Average annual cash assistance payments ($)	3,801	3,902	-101	-2.6
Average annual Food Stamp payments ($)	1,650	1,659	-9	-0.6
Average annual tax-adjusted income[a] ($)	9,681	9,563	117	1.2
Years 3-4				
Average quarterly employment (%)	56.2	48.7	7.5 ***	15.4
Average quarterly percentage receiving cash assistance (%)	39.2	40.6	-1.3	-3.3
Average quarterly percentage receiving Food Stamps (%)	52.0	53.3	-1.3	-2.4
Average annual earnings ($)	6,306	5,593	713 ***	12.8
Average annual cash assistance payments ($)	1,987	2,333	-347 ***	-14.9
Average annual Food Stamp payments ($)	1,128	1,154	-26	-2.2
Average annual tax-adjusted income[a] ($)	10,050	9,609	442 **	4.6
Years 5-6				
Average quarterly employment (%)	57.1	51.6	5.5 ***	10.7
Average quarterly percentage receiving cash assistance (%)	23.0	27.4	-4.4 ***	-16.0
Average quarterly percentage receiving Food Stamps (%)	36.8	38.0	-1.2	-3.2
Average annual earnings ($)	8,050	7,415	634 **	8.6
Average annual cash assistance payments ($)	1,142	1,591	-449 ***	-28.2
Average annual Food Stamp payments ($)	787	827	-40	-4.8
Average annual tax-adjusted income[a] ($)	10,355	10,148	206	2.0
Sample size	3,271	1,110		

SOURCES: MDRC calculations using data from Vermont and New Hampshire unemployment insurance earnings records, Vermont ANFC records, and Vermont Food Stamp records.

NOTES: [a]This measure includes income from earnings, cash assistance, and Food Stamps; federal, state, and payroll taxes; and the federal and state Earned Income Credits.

Dollar averages include zero values for sample members who were not employed or were not receiving cash assistance or Food Stamps. Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

A two-tailed t-test was applied to all estimated impacts. Statistical significance levels are indicated as: ***=1 percent; **=5 percent; and *=10 percent.

Rounding may cause slight discrepancies in calculating sums and differences.

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up period. The table shows that while WRP increased employment during all three parts of the follow-up period, the impacts were largest in Years 3 and 4, when the first WRP group members became subject to the work requirement. During this period, WRP increased average annual earnings by over $700 (or 13 percent). WRP generated this gain because it increased the likelihood that sample members worked (it did not increase the amount that WRP group members earned when they were employed).[29]

Over time, earnings grew substantially for employed sample members in both the WRP and the ANFC groups. For example, in Years 1 and 2, working WRP group members earned an average of $8,551 per year; in Years 3 and 4, they earned an average of $11,221 per year; and in Years 5 and 6, they earned an average of $14,098 per year (not shown). This increase over time may reflect that sample members were working more hours, earning higher wages, or both.

Cash assistance receipt and payments. The lower panel of Figure 5 shows that WRP did not significantly decrease cash assistance receipt until the end of Year 4 of the follow-up period (Quarter 16). This may reflect that WRP group members who obtained jobs earlier in the follow-up period earned more over time and later became ineligible for welfare benefits.[30]

Although WRP had no effect on cash assistance *receipt* (that is, on whether someone was on welfare or not) in Years 3 and 4, it began to significantly decrease cash assistance *payments*. In fact, as shown in Table 6, the program decreased average annual welfare payments during that period by 15 percent. This likely reflects that as the program increased earnings, average welfare grants among WRP group members were reduced but not closed. In Years 5 and 6, WRP reduced both cash assistance receipt and payments.[31] In the last quarter of the follow-up period, only 18 percent of the WRP group received cash assistance, compared with 24 percent of the ANFC group (not shown).

Income from earnings, cash assistance, and Food Stamps. Table 6 shows WRP's effects on total income from earnings, cash assistance, and Food Stamps, adjusted using estimated federal and state income taxes, payroll taxes, and the federal and state EICs.[32] Although, as discussed above, WRP did not increase average income over the six-year period, it increased average income somewhat during the middle of the follow-up period: In Years 3 and 4, the program raised sample members' annual tax-adjusted income by about $450 (or 5 percent). WRP did not significantly increase pretax income (not shown).[33]

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[29] Appendix Table D.3 shows WRP's impacts on the distribution of sample members' earnings.

[30] This is consistent with further analysis of employment and welfare statuses, which is presented in Appendix Table D.4. Early in the follow-up period, WRP's main effect was to increase work among sample members who were receiving welfare. After the large earnings increases in Years 3 and 4, WRP began to slightly increase the percentage of sample members who worked and did not receive cash assistance. The table also shows that, by the end of the follow-up period, WRP increased the proportion of sample members who were neither working nor receiving cash assistance.

[31] When people receive cash assistance benefits, they must report to the welfare department how much they earn, so that the appropriate benefit amount can be calculated. Analysis presented in Appendix Table C.12 suggests that members of the WRP group were more likely to report their earnings to DSW than members of the ANFC group. It is not known how this affected the magnitude of the impacts.

[32] For more details on the effect of the EIC and on the method used to estimate it, see Appendix C.

Although WRP did not affect average income, the program could have increased income for some sample members and decreased income for others. An analysis of income distribution patterns shows that generally this was not the case.[34] WRP did, however, affect the *composition* of income: The WRP group derived a greater share of income from earnings and a smaller share from public assistance, compared with the ANFC group. Figure 6 shows the composition of income over time for the WRP and the ANFC groups. For example, during Years 5 and 6, WRP group members derived 81 percent of their income from earnings, compared with 75 percent for the ANFC group. This effect is consistent with the program goals of increasing work and decreasing reliance on public assistance.

Administrative records provide only a partial view of sample members' household income. To provide a more complete view, the 42-Month Client Survey asked sample members about all sources of income (including, for example, income from odd jobs and child support) both for themselves and for their household in the month before the interview.[35] Results from the survey corroborate the results from the administrative records: WRP had little effect on income. (Income levels measured in the survey are higher than those from the administrative records, because the survey counts more income sources.) Table 7 shows that, in the month before the survey interview, WRP group members had $961 in income from all sources and that the ANFC group had $959.[36] (These results are not tax-adjusted.) Over half of sample members in the WRP and ANFC groups reported that they lived with another adult. When income from all household members is counted, the two groups' monthly income was identical ($1,504). Half of each group had household income above the poverty level. (This is not an official poverty rate, however, because income is measured differently here than in the census.)

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[33] The fact that WRP increased only tax-adjusted income is likely associated with the program's employment increase: WRP group members, compared with ANFC group members, had more earnings and thus received more from the EIC.

[34] Appendix Table D.5 shows the proportions of the WRP group and the ANFC group with income (from earnings, cash assistance, and Food Stamps) in four different income brackets ($0, $1-$2,000, $2,001-$4,000, and $4,001 or more). At the end of the first year of follow-up, WRP had slightly increased the proportion of single parents with very low income ($2,000 or less in that quarter), but this effect did not persist. Likewise, at the end of Year 3, WRP had increased the proportion of families with higher income ($4,001 or more in that quarter), but the effect did not persist.

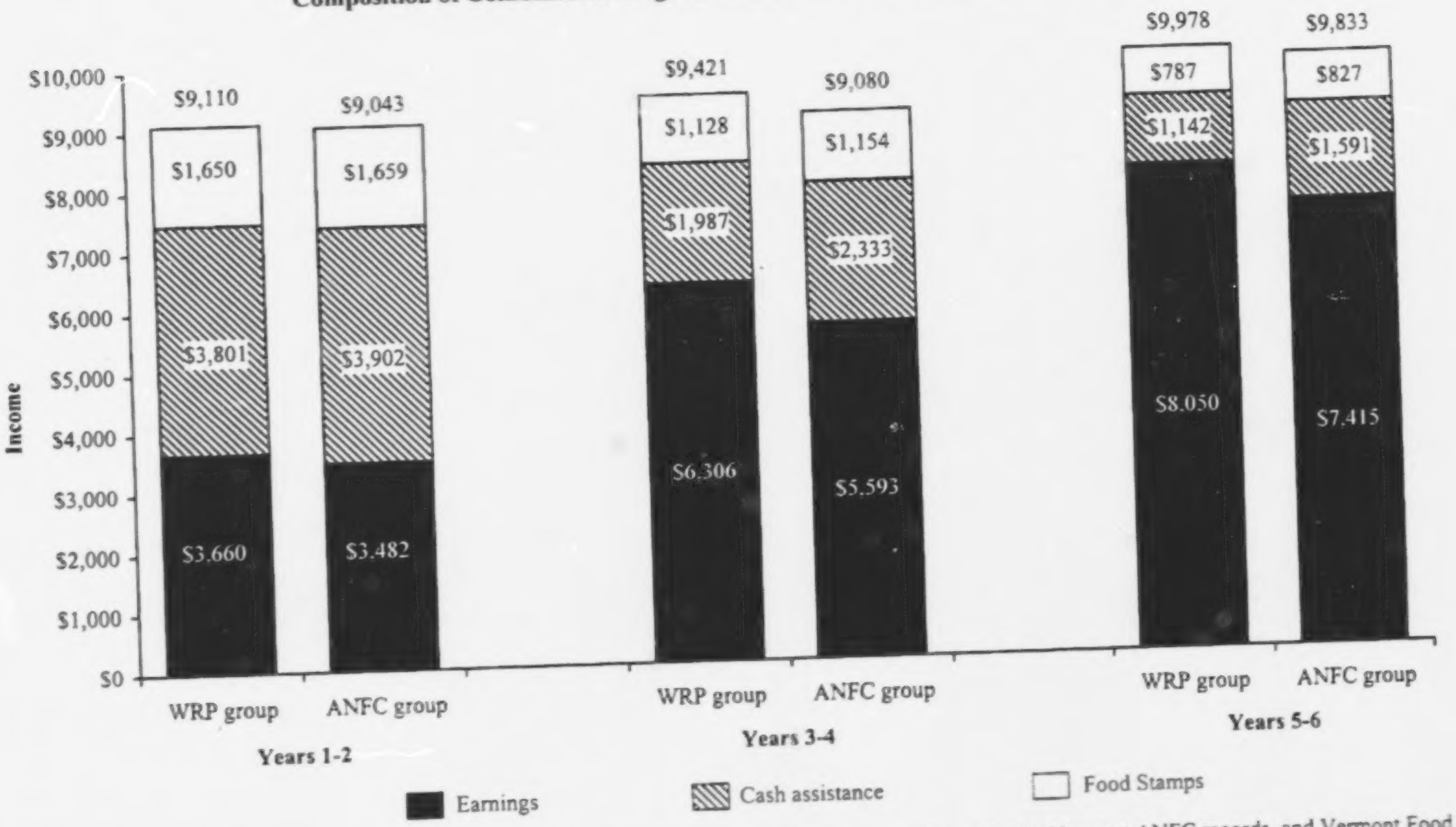
[35] See Appendix C for a discussion of income sources indicated on the survey for sample members who had no income on the administrative records (that is, no UI-reported earnings, cash assistance, or Food Stamp payments).

[36] Appendix Table D.6 presents detailed information on the amount of income received from various sources.

Vermont's Welfare Restucturing Project

Figure 6

Composition of Combined Average Annual Income for Single-Parent Families



SOURCES: MDRC calculations from Vermont and New Hampshire unemployment insurance earnings records, Vermont ANFC records, and Vermont Food Stamp records.

NOTE: These numbers represent annual averages over two years. Total income is not tax-adjusted and therefore does not match total income numbers on Table 6.

Vermont's Welfare Restructuring Project

Table 7

Impacts on Respondent and Household Income for Single-Parent Families in Month Prior to the 42-Month Client Survey Interview

Outcome	WRP Group	ANFC Group	Difference (Impact)	Percentage Change (%)
Average total monthly individual income ($)	961	959	1	0.2
Average total monthly income for others in the household ($)	544	545	-1	-0.2
Average total monthly household income ($)	1,504	1,504	0	0.0
Average total monthly household income above the poverty line[a] (%)	50.3	50.4	-0.1	-0.2
Sample size	421	421		

SOURCE: MDRC calculations using data from the 42-Month Client Survey.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

A two-tailed t-test was applied to all estimated impacts. Statistical significance levels are indicated as: ***=1 percent; **=5 percent; and *=10 percent.

Rounding may cause slight discrepancies in calculating differences.

[a]This is not an official poverty rate because income is measured differently here than in the census.

- **WRP's work requirement was needed to generate impacts. The financial incentives alone did not increase employment or income, probably because the WRP incentives were not substantially different from the benefits that were available to the ANFC group.**

Throughout the six-year follow-up period, the outcomes of the WRP Incentives Only group were nearly indistinguishable from those of the ANFC group.[37] Although other studies have found that financial incentives alone can increase work and income, it is not surprising that the WRP incentives did not — because, as discussed above, ANFC group members were eligible for supports that were similar to those provided as part of WRP.

- **Most of the people who went to work because of WRP worked full time or nearly full time in jobs paying at least $7.50 per hour.**

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[37] Appendix Table D.2 presents outcomes for employment, cash assistance, and Food Stamps for the three research groups.

When responding to a work requirement, people might take jobs that are part time, that pay low wages, or that require them to work irregular schedules or weekends. The 42-Month Client Survey — which asked a series of questions about the characteristics of jobs held by those who were working at the time of the interview — shows that generally this was not the case in WRP (at least at the time of the survey).

As Table 8 shows, WRP increased the proportion of sample members who were working at the time the survey was administered, by 10 percentage points.[38] Most of the increase (8 percentage points) is accounted for by an increase in the proportion of sample members who worked 30 hours or more per week. The table also shows that most of the additional jobs that sample members took because of WRP paid at least $7.50 per hour: The program increased the proportion of people working at jobs that paid $7.50 to $8.99 per hour and $9.00 or more per hour. (The average wage among employed WRP and ANFC group members was similar — about $8.00 per hour [not shown].) Analysis (not shown) found that WRP did not increase jobs with irregular work schedules.

As shown in Table 8, some of the additional jobs that sample members took as a result of WRP provided benefits, and others did not. Approximately half included benefits, such as sick leave or paid vacation. Less than half offered health insurance, and WRP group members who were offered health insurance were less likely to be actually enrolled in their employer's health plan.[39] (As discussed further below, a large proportion of respondents were covered by public health insurance.)

- **WRP increased employment stability.**

Analysis using earnings data from the UI system, shown in Appendix Table D.8, shows that WRP increased the proportion of sample members who worked during the first two years of the follow-up period and remained employed most of the following four years. Also, for each year of the follow-up period, WRP increased the proportion of sample members who were employed all four quarters of the year.

- **WRP increased employment among most subgroups, but the increases were largest for the most disadvantaged sample members. WRP increased income among the least disadvantaged subgroup.**

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[38] It is important to note that Table 8 includes all survey respondents, including those who were not working at the time of the survey. Thus, all the averages include zeros for nonworking respondents. For example, the table shows that 28 percent of the WRP group worked in a job that offered health insurance; this represents 42 percent of those who were working (28 divided by 66).

[39] Appendix Table D.7 presents additional measures of job characteristics.

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Table 8

Impacts on Employment and Job Characteristics for Single-Parent Families at the Time of the 42-Month Client Survey

Outcome	WRP Group	ANFC Group	Difference (Impact)	Percentage Change (%)
Employment (%)				
Ever employed since random assignment	86.8	81.5	5.2 **	6.4
Currently employed	65.9	55.9	10.1 ***	18.0
Weekly work hours (%)				
Currently employed	65.9	55.9	10.1 ***	18.0
Less than 20 hours per week	7.5	5.1	2.4	48.0
20-29 hours per week	9.7	8.9	0.7	8.1
30-39 hours per week	19.7	13.1	6.6 ***	50.3
40 or more hours per week	28.0	27.0	0.9	3.5
Missing information on work hours	1.1	1.7	-0.6	-36.3
Hourly wage (%)				
Currently employed	65.9	55.9	10.1 ***	18.0
Less than $6.00	14.3	12.4	1.9	15.0
$6.00-$7.49	17.3	17.8	-0.6	-3.1
$7.50-$8.99	15.1	9.8	5.3 **	54.4
$9.00 or more	15.5	11.0	4.4 *	40.2
Missing information on hourly wage	3.9	4.8	-1.0	-20.2
Job-related benefits (%)				
Currently employed	65.9	55.9	10.1 ***	18.0
Job offers health insurance	27.8	22.9	4.9 *	21.3
Enrolled in employer's health plan	12.9	13.4	-0.5	-3.7
Not enrolled in employer's health plan	14.8	9.3	5.6 **	60.5
Job provides sick leave	24.6	19.2	5.4 *	28.4
Job provides paid vacation or holidays	33.8	28.1	5.7 *	20.4
Job provides training classes or tuition reimbursement	17.8	13.7	4.1	29.9
Sample size	421	421		

SOURCE: MDRC calculations using data from the 42-Month Client Survey.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

A two-tailed t-test was applied to all estimated impacts. Statistical significance levels are indicated as: ***=1 percent; **=5 percent; and *=10 percent.

Rounding may cause slight discrepancies in calculating differences.

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Impacts for the full sample can hide variation in a program's effect for different groups of sample members. To investigate this possibility, MDRC examined impacts for a wide variety of subgroups of sample members, defined using selected characteristics at the time of random assignment.

Of particular interest is how WRP affected individuals with substantial barriers to employment. Table 9 presents results for subgroups defined on the basis of sample members' level of disadvantage, or job readiness, at random assignment. Specifically, the *most disadvantaged* subgroup includes sample members who received cash assistance continually during the two years before entering the study,[40] had not worked in the year before entering the study, and did not have a high school diploma or General Educational Development (GED) certificate. The *moderately disadvantaged* subgroup includes sample members who had one or two of these barriers, and the *least disadvantaged* subgroup includes sample members with none of the barriers. As noted earlier, Vermont's welfare caseload is less disadvantaged than those in many states: Fewer than 10 percent of the research sample is in the most disadvantaged subgroup.[41]

Table 9 shows that the most disadvantaged subgroup was, indeed, least likely to work and most likely to rely on welfare. Over the six-year follow-up period, for example, only 30 percent of the most disadvantaged ANFC group members worked in an average quarter, compared with 60 percent of the least disadvantaged ANFC group members. Likewise, 63 percent of the most disadvantaged ANFC group members received cash assistance in an average quarter, compared with only 31 percent of the least disadvantaged. The most disadvantaged ANFC group members earned roughly one-third of what the least disadvantaged earned, and they received twice the amount in combined cash assistance and Food Stamp payments.

WRP increased employment rates and earnings for all three subgroups, though not always to a statistically significant degree. Increases were largest for the most disadvantaged sample members: Over the six-year follow-up period, WRP increased average quarterly employment for this subgroup by 10 percentage points and boosted average annual earnings by $870 (31 percent).

WRP significantly decreased cash assistance payments among the most and the moderately disadvantaged subgroups. Because WRP did not decrease cash assistance payments among the least disadvantaged sample members but did increase their earnings (the increase is not statistically significant), it increased their tax-adjusted income (by about $700, or 7 percent, per year over the six years).

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[40] "Continual receipt" was defined as having received cash assistance in at least 23 of the 24 months before random assignment.

[41] Some caution should be exercised when interpreting these results, because some of the samples are small. When sample sizes are small, some numerically large impact estimates may not be statistically significant.

Vermont's Welfare Restructuring Project

Table 9

Six-Year Impacts of WRP for Single-Parent Families, by Level-of-Disadvantage Subgroup

Outcome	WRP Group	ANFC Group	Difference (Impact)	Percentage Change (%)
Most disadvantaged				
Average quarterly employment (%)	39.4	29.6	9.8 ***	33.1
Average quarterly percentage receiving cash assistance (%)	58.5	62.8	-4.4	-6.9
Average quarterly percentage receiving Food Stamps (%)	73.1	72.6	0.5	0.7
Average annual earnings ($)	3,713	2,843	870 *	30.6
Average annual cash assistance payments ($)	3,433	3,920	-487 *	-12.4
Average annual Food Stamp payments ($)	1,714	1,688	26	1.5
Average annual tax-adjusted income[a] ($)	9,505	8,952	553	6.2
Sample size	302	108		
Moderately disadvantaged				
Average quarterly employment (%)	48.0	43.1	4.9 ***	11.4
Average quarterly percentage receiving cash assistance (%)	45.9	48.8	-2.9 **	-5.9
Average quarterly percentage receiving Food Stamps (%)	57.4	58.7	-1.3	-2.2
Average annual earnings ($)	5,295	4,937	358	7.3
Average annual cash assistance payments ($)	2,502	2,860	-358 ***	-12.5
Average annual Food Stamp payments ($)	1,250	1,292	-42	-3.3
Average annual tax-adjusted income[a] ($)	9,612	9,589	22	0.2
Sample size	2,003	690		
Least disadvantaged				
Average quarterly employment (%)	64.5	59.7	4.8 **	8.0
Average quarterly percentage receiving cash assistance (%)	32.5	30.8	1.6	5.3
Average quarterly percentage receiving Food Stamps (%)	43.5	43.5	-0.1	-0.2
Average annual earnings ($)	8,220	7,606	614	8.1
Average annual cash assistance payments ($)	1,570	1,607	-37	-2.3
Average annual Food Stamp payments ($)	897	856	41	4.8
Average annual tax-adjusted income[a] ($)	11,099	10,403	696 *	6.7
Sample size	954	307		

SOURCES: MDRC calculations using data from Vermont and New Hampshire unemployment insurance earnings records, Vermont ANFC records, and Vermont Food Stamp records.

NOTES: [a] This measure includes income from earnings, cash assistance, and Food Stamps; federal, state, and payroll taxes; and the federal and state Earned Income Credits.

The "most disadvantaged" subgroup includes sample members who received cash assistance for 23 or more out of 24 months prior to random assignment, had not worked in the year before entering the study, and did not have a high school diploma or GED. The "moderately disadvantaged" subgroup includes sample members who had one or two of these barriers, and the "least disadvantaged" subgroup includes sample members with none of these barriers.

Dollar averages include zero values for sample members who were not employed or were not receiving cash assistance or Food Stamps. Estimates were adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

A two-tailed t-test was applied to differences between the research groups. Statistical significance levels are indicated as: ***=1 percent, **=5 percent, *=10 percent.

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Further analysis, presented in Appendix D, shows that WRP's impacts on key outcomes were consistent across several other subgroups of sample members, including those with potential barriers to employment and those at risk for long-term welfare receipt.[42]

- **WRP's effects were relatively consistent across the 12 welfare districts in Vermont, including very rural districts and more urban districts.**

Using data for the statewide sample, Appendix Table D.18 shows that WRP increased employment and earnings and decreased cash assistance receipt and payments in most of Vermont's 12 welfare districts, although some of the effects are not statistically significant.

Effects on Family and Child Outcomes for Single-Parent Families

Using data from the 42-Month Client Survey, this section summarizes WRP's effects on families and children among single-parent families.[43] (Appendix E presents additional detail as well as results for the WRP Incentives Only group.)

- **WRP had little effect on families' material well-being or household composition.**

The survey examined WRP's impacts on a range of outcomes — such as assets, neighborhood quality, and food security — that are indicators of families' level of material well-being. Given that, as discussed above, WRP did not affect family income, it is not surprising that it also did not affect material well-being. Table 10, which presents some selected measures of well-being, shows that WRP did not affect the average savings that families had at the time of the survey; whether they owed a car, van, or truck; or whether they rated their neighborhood as good or excellent. WRP also did not affect levels of food security for single-parent families.[44] Levels of hardship for both groups in Vermont were generally lower than for samples in other recent studies.[45] (Additional measures of material well-being are presented in Appendix Tables E.1, E.2, and E.3.)

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[42] Appendix Tables D.9 through D.17 present six-year impacts for various subgroups of single-parent sample members.

[43] A more detailed discussion of these effects is presented in an earlier report (Bloom, Hendra, and Michalopoulos, 2000).

[44] Various forms of food security and insecurity were measured using a six-item scale approved by the U.S. Department of Agriculture (USDA).

[45] For example, 10 percent of the WRP group and the ANFC group experienced food insecurity with hunger. Corresponding percentages in an evaluation of Florida's Family Transition Program and an evaluation of Connecticut's Jobs First Program are 16 percent and 22 percent (see Bloom et al., 2000; and Bloom et al., 2002).

Vermont's Welfare Restructuring Project

Table 10

Impacts on Material Well-Being, Food Security, and Health Coverage for Single-Parent Families

Outcome	WRP Group	ANFC Group	Difference (Impact)
Assets and neighborhood quality at the time of survey interview			
Average savings ($)	313	283	30
Owns a car, van, or truck (%)	73.1	70.3	2.8
Neighborhood is excellent or good (%)	69.2	68.5	0.7
Food security in year before survey interview (%)[a]			
Experienced food insecurity	27.8	29.0	-1.3
Experienced food insecurity with hunger	9.7	10.3	-0.6
Health coverage during month prior to survey interview (%)[b]			
Respondent			
Respondent covered by Medicaid or similar coverage	64.9	68.0	-3.1
Respondent covered by other health insurance	18.1	16.8	1.3
Respondent covered by any health insurance	79.3	81.6	-2.4
Children			
Some or all covered by Medicaid or similar coverage	71.0	76.8	-5.8 *
Some or all covered by other health insurance	16.7	15.4	1.3
All children covered by some type of insurance	79.5	84.3	-4.8 *
Sample size	421	421	

SOURCES: MDRC calculations using data from the 42-Month Client Survey.

NOTES: Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

A two-tailed t-test was applied to all estimated impacts. Statistical significance levels are indicated as: ***=1 percent; **=5 percent; and *=10 percent.

Rounding may cause slight discrepancies in calculating differences.

[a] Food security measures are based on a USDA-approved six-question scale; 2-4 affirmative responses are food insecure, and 5-6 affirmative responses are food insecure with hunger.

[b] The proportion covered by Medicaid and other insurance may sum to more than the proportion covered by any insurance because a small portion of the respondents report being covered by both Medicaid and private insurance.

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The survey also asked a series of questions about health care coverage during the month before the interview for single parents and their children. The vast majority of adults and children (roughly four-fifths) had some kind of health coverage at that point, primarily from Medicaid or other government programs. As Table 10 shows, WRP slightly decreased the proportion of children who had health coverage. The decrease was driven entirely by a decrease in Medicaid or other government coverage.[46] (The pattern of effects is similar for adults, although the effects are not statistically significant.) It is unclear why the program reduced levels of health coverage, but it is likely related to the fact that WRP increased the proportion of people who were not receiving cash assistance and were not covered by Medicaid or similar programs (shown at the bottom of Appendix Table E.2). As discussed earlier, WRP offered an additional three years of transitional Medicaid for families who left welfare for work. However, studies of "welfare leavers" have shown that people who exit the cash assistance rolls for work sometimes do not receive all the transitional benefits for which they are eligible.[47] Some individuals may not know about the benefits, and others may find the enrollment process to be onerous.

WRP produced few effects on family composition or parents' involvement with their children (Appendix Tables E.4 and E.5). For example, it did not affect respondents' living arrangements (whether they lived with another adult, a partner, or a relative) or whether they had a baby after random assignment. WRP did increase the proportion of children who lived with both their parents, but it is unclear what caused this effect. The program did not affect the likelihood that the parent received child support payments.

As shown in Appendix Table E.4, a higher proportion of WRP Incentives Only group members were married and living with their spouse at the time of the survey interview, compared with their ANFC counterparts. It is not clear why the WRP financial incentives, which had little effect on other outcomes for this sample, would increase marriage.

- **WRP increased the use of child care.**

The 42-Month Client Survey asked parents a series of questions about their use of child care at the time of the survey interview. As Table 11 shows, WRP, like most programs that increase employment, also increased the use of child care: 54 percent of single parents in the WRP group reported using child care, compared with 48 percent of their ANFC counterparts. The increase was driven by an increase in formal care, which includes Head Start programs, preschool or nursery schools, daycare centers, before- or after-school care, and after-school activities.

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[46] This includes Medicaid; Dr. Dynasaur, Vermont's health insurance program for low-income children; and the Vermont Health Assistance Program.

[47] See, for example, Quint and Widom, 2001.

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Table 11

Impacts on Child Care for Single-Parent Families, by Age of Child at the Time of the Survey Interview[a]

Outcome	WRP Group	ANFC Group	Difference (Impact)
All children (%)			
Using any child care[b]	53.6	47.8	5.8 **
Child in the following arrangement[c]			
Any formal care[d]	23.4	16.8	6.6 ***
Any informal care[e]	39.7	38.5	1.2
Child takes care of self alone	9.5	8.1	1.4
Sample size	603	578	
Children ages 0 to 4 (%)			
Using any child care[b]	63.3	55.6	7.6
Child in the following arrangement[c]			
Any formal care[d]	31.8	26.6	5.1
Any informal care[e]	44.4	40.2	4.2
Child takes care of self alone	1.2	0.3	0.9
Sample size	164	173	
Children ages 5 to 9 (%)			
Using any child care[b]	56.8	48.6	8.3 *
Child in the following arrangement[c]			
Any formal care[d]	25.3	13.9	11.4 ***
Any informal care[e]	42.4	40.5	1.9
Child takes care of self alone	3.9	3.6	0.3
Child participates in organized activities[f]	31.9	24.7	7.2 *
Sample size	268	247	
Children ages 10 to 13 (%)			
Using any child care[b]	39.3	37.2	2.1
Child in the following arrangement[c]			
Any formal care[d]	11.4	11.0	0.4
Any informal care[e]	31.4	31.8	-0.4
Child takes care of self alone	25.0	24.4	0.6
Child participates in organized activities[f]	40.8	30.9	9.9 *
Sample size	171	158	

(continued)

Table 11 (continued)

SOURCE: MDRC calculations using data from the 42-Month Client Survey.

NOTES: See Appendix E for a nonexperimental analysis of child care arrangements among those using any child care.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

A two-tailed t-test was applied to all estimated impacts. Statistical significance levels are indicated as: ***=1 percent; **=5 percent; and *=10 percent.

Rounding may cause slight discrepancies in calculating differences.

[a] Child care information was only collected for children aged 13 and under.

[b] Child care does not include a child caring for him- or herself.

[c] Respondents were asked to identify any child care that they used once a week, in the past month. A child may have been in more than one child care arrangement. Therefore, the sum of the percentages in each arrangement exceeds the percentage using any child care arrangement.

[d] Formal child care includes a Head Start program, preschool or nursery school, daycare center, before- or after-school care, and after-school activitives.

[e] Informal care includes family daycare home, baby-sitter not related to child, child's other parent, and relative other than child's parent.

[f] Information about organized activities was only collected for children aged 5 and older.

The increase in child care was largest for children who were ages 5 to 9 at the time of the interview: WRP increased care for them by 8 percentage points. (The increases for children ages 0 to 4 and ages 10 to 13 are not statistically significant.) Analysis (not shown) found that WRP generated particularly large employment impacts for parents with at least one child age 5 to 9. WRP also increased the proportion of children ages 5 to 9 and ages 10 to 13 who participated in after-school organized activities, which may provide enrichment opportunities for children in addition to helping fulfill parents' child care needs.[48]

- **WRP had few effects on young children and adolescents.**

Recent research on welfare policies has found that welfare and employment programs can affect participants' children. Programs that increase employment and family income — by providing a supplement to the earnings of welfare recipients when they go to work — can improve the school achievement of elementary-school-age children. In contrast, programs that increase employment but not income have few effects for these children.[49] In light of this, it is not surprising that WRP, which increased employment but not income, did not substantially affect outcomes for participants' elementary-school-age children.

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[48] Detailed information about child care arrangements and satisfaction with child care is presented in Appendix Table E.6.

[49] Morris et al., 2001.

The first two panels of Table 12 show that, according to parents' responses to questions on the 42-Month Client Survey, WRP had few effects on children's academic and behavioral problems. For example, parents reported that roughly one-fifth of children ages 5 to 9 in the WRP and ANFC groups received special education at some point after the study began, and about 10 percent had repeated a grade in school. WRP decreased absences from school for children who were ages 10 to 13 at the time of the survey interview. (Appendix Table E.7 shows these outcomes for the WRP Incentives Only group.)

Previous studies have found that welfare programs can have negative effects on adolescents' school achievement and progress. There is some evidence that these negative effects resulted from their parents' increased work: Adolescents have been left unsupervised as their parents increased their employment, and adolescents also appear to have been caring for younger siblings and working more than part time.[50]

The bottom panel of Table 12 shows that, according to parents' reports, WRP did not have any effect on academic problems for adolescents who were ages 14 to 18 at the time of the survey interview. The program, however, did increase adolescents' involvement with the police: 27 percent of adolescents in the WRP group had trouble with the police, compared with 17 percent of their ANFC peers. It is unclear what to make of this finding, given that the program did not increase any other negative behavior for adolescents. The survey did not collect information on child care for adolescents, but it is possible that the increase in work for WRP parents led to decreases in supervision of their adolescent children. However, though not shown in Table 12, adolescent children in the WRP Incentives Only group also experienced increased police trouble (Appendix Table E.7), even though their parents did not experience an employment increase.

Costs and Benefits for Single-Parent Families

As described in the preceding section, WRP increased employment and earnings and decreased welfare receipt among single-parent families. This section summarizes the cost of providing WRP services and producing those effects. Then it compares the program's costs to its financial benefits from the perspective of program participants and of government budgets. (Appendix F presents more detail about the benefit-cost analysis.)

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[50] Gennetian et al., 2002.

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Table 12

Impacts on Single Parents' Reports of Academic and Behavioral Problems, by Age of Child at the Time of the Survey Interview

Outcome	WRP Group	ANFC Group	Difference (Impact)
Children ages 5 to 9 (%)			
Currently doing below average in school	10.0	6.8	3.2
Since random assignment:			
Received special education for any physical or emotional problem	19.4	22.7	-3.3
Repeated a grade	10.1	8.5	1.7
Student suspended or expelled	2.3	3.5	-1.2
Parent contacted by school for behavioral problems	19.5	25.1	-5.6
Absent 3 times or more in prior month	9.9	7.6	2.2
Sample size	269	247	
Children ages 10 to 13 (%)			
Currently doing below average in school	15.2	17.7	-2.5
Since random assignment:			
Received special education for any physical or emotional problem	30.1	35.5	-5.4
Repeated a grade	12.7	9.6	3.1
Student suspended or expelled	7.7	12.7	-5.0
Parent contacted by school for behavioral problems	25.2	31.8	-6.6
Absent 3 times or more in prior month	1.4	8.8	-7.4 ***
Sample size	171	159	
Children ages 14 to 18 (%)			
Currently doing below average in school	21.7	23.3	-1.6
Since random assignment:			
Received special education for any physical or emotional problem	25.9	25.6	0.4
Repeated a grade	11.6	13.1	-1.6
Student suspended or expelled	32.2	33.0	-0.8
Parent contacted by school for behavioral problems	37.2	36.6	0.6
Absent 3 times or more in prior month	12.4	11.0	1.3
Ever dropped out of school	7.4	12.5	-5.0
Ever had any trouble with the police[a]	26.8	17.3	9.5 **
Sample size	151	149	

SOURCE: MDRC calculations using data from the 42-Month Client Survey.

NOTES: Standard errors were adjusted to account for shared variance between siblings.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

A two-tailed t-test was applied to all estimated impacts. Statistical significance levels are indicated as: ***=1 percent; **=5 percent; and *=10 percent.

Rounding may cause slight discrepancies in calculating differences.

[a] Police-involvement information also was collected for children 13 years old at the time of the 42-Month Client Survey. When results for the 13-year-old children are included, the impact is no longer statistically significant.

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- **The net cost of WRP's employment services and related support services — that is, the cost over and above what was spent on the ANFC program — was very low: only about $1,300 per person over six years.**

MDRC collected expenditure data from DSW and local education and training providers as well as data on sample members' rates of participation in employment-related activities. These data were used to estimate the costs of providing employment services (such as job search assistance and education and training) and services to support sample members' participation in employment and program activities (such as child care and transportation assistance). As discussed above, the WRP group received few services that were not also available to the ANFC group: Both groups were eligible to participate in Reach Up, the state's welfare-to-work program (the WRP group was required to do so in Month 29 of benefit receipt), and members of both groups received child care assistance and other supports if they worked or participated in activities while on welfare. As noted earlier, supports were also similar for the two groups after exiting welfare.

Table 13 presents the costs per WRP and ANFC group member for employment services and related support services. Costs are divided into those for services provided when sample members were receiving cash assistance and those for services provided when sample members were not receiving assistance. As the table shows, over the six-year follow-up period, the government spent about $8,700 per WRP group member for employment services and related support services while sample members were on welfare — about $1,000 more than it spent per ANFC group member. The small difference in cost was primarily driven by higher expenditures for support services, case management, and job search activities. Costs while sample members were off welfare were very similar for the two programs: about $5,000 per WRP group member and about $4,800 per ANFC group member.

In sum, as shown in the final row of Table 13, the six-year gross cost per WRP group member for employment services and related support services was about $13,800. The corresponding cost per ANFC group member was about $12,500. The net cost per WRP group member is the gross cost per WRP group member minus what would have been spent in the absence of WRP (that is, the gross cost per ANFC group member). The net cost was about $1,300 per WRP group member over six years.

- **WRP's reductions in public assistance spending more than offset the government's low costs of operating the program; in other words, WRP saved money for taxpayers.**

In order to compare WRP's costs with its benefits, MDRC placed dollar values on WRP's effects, either by directly measuring them or by estimating them. Effects on earnings from regular jobs and CSE jobs, cash assistance and Food Stamp payments, and unemployment

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Table 13

Six-Year Estimated Gross and Net Costs per Sample Member for Single-Parent Families (in 2000 Dollars)

	Gross Cost per WRP Group Member ($)	Gross Cost per ANFC Group Member ($)	Net Cost per WRP Group Member ($)
Cost while sample member received cash assistance			
Employment and training case management[a]	1,703	1,365	339
Employment and training operating costs[b]			
Job search[c]	501	200	301
Basic education	1,317	1,300	17
College	1,974	2,159	-185
Vocational training	369	278	91
Work experience[d]	123	95	28
Total operating costs	4,284	4,033	251
Support services[e]	2,751	2,312	439
Total	8,738	7,709	1,029
Cost while sample member did not receive cash assistance			
Employment and training operating costs[b]			
Job search[c]	62	105	-43
Basic education	93	153	-61
College	2,431	2,445	-14
Vocational training	633	354	279
Work experience[d]	99	43	56
Total operating costs	3,317	3,100	217
Support services[e]	1,738	1,660	78
Total	5,054	4,760	294
Total program cost	13,792	12,469	1,323

(continued)

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Table 13 (continued)

SOURCES: MDRC calculations from Vermont and New Hampshire unemployment insurance earnings records, Vermont cash assistance records, Vermont Food Stamp records, Vermont Reach Up program participation records, DSW expenditures for fiscal years 1996 and 1998, Medicaid and related program expenditures from Office of Vermont Health Access, Vermont Medicaid-related administrative expenditures and eligibility statistics from the Health Care Financing Administration Web site, the 42-Month Client Survey, and published information on employee fringe benefits, tax rates, and tax credits.

NOTES: Estimates reflect discounting and inflation.

Values were discounted at a rate of 5 percent annually and adjusted for inflation using GNP quarterly inflation rates for the follow-up period.

[a]Case management for employment and training was provided by DSW caseworkers.

[b]Employment and training were provided by outside agencies, and these costs reflect costs for those outside agencies, with the exception of job search. Employment and training expenditures while not receiving welfare are only for the first 42 months of follow-up.

[c]Job search was operated by the Vermont Department of Employment and Training (DET) and under contract to DSW.

[d]Slightly more than one-fourth of the program group's work experience operating costs were for CSE jobs. The operating cost for work experience does not include the administrative cost of processing the paychecks for the community service jobs provided to program group members.

[e]Support service costs include child care and other supports for work.

insurance benefits were measured directly. Effects on medical assistance, fringe benefits from employment, and taxes and tax credits could not be measured directly but were estimated using various data sources (see Appendix F).

Table 14 presents WRP's effects over the six-year follow-up period on public assistance payments and administration, earnings and fringe benefits, taxes, and tax credits. As noted earlier in the report, WRP reduced public assistance payments for single-parent families. As the table shows, over six years, the government spent about $23,000 per WRP group member on cash assistance and Food Stamps and $25,000 per ANFC group member. The government also spent somewhat less on medical assistance under WRP.[51]

As discussed above, WRP increased single parents' earnings over the six-year follow-up period. It also increased fringe benefits from work. Because WRP group members earned more, they paid a bit more in personal taxes, but they received more from the federal and state EICs. The increase in credits exceeded the increase in taxes paid.

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[51] These costs were paid for by the federal government and the State of Vermont.

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Table 14

Six-Year Impacts of WRP on Transfer Payments, Earnings, Income Taxes, and Tax Credits for Single-Parent Families (in 2000 Dollars)

Outcome	WRP Group ($)	ANFC Group ($)	Difference (Impact)
Transfer payments and administration			
Cash assistance, Food Stamps, and administration[a]	23,146	24,874	-1,728 ***
Medical assistance and administration	16,432	17,264	-833 ***
CSE jobs[b]	77	0	77 ***
Total transfer payments and administration	39,655	42,139	-2,484 ***
Earnings and fringe benefits			
Earnings	32,755	30,276	2,479 **
Fringe benefits	4,242	3,921	321 **
Unemploment insurance benefits	761	721	41
Total earnings and fringe benefits	37,758	34,918	2,841 **
Personal taxes			
Federal income tax	939	911	28
Vermont state income tax	195	191	4
Social Security tax	2,404	2,226	178 **
Sales tax	778	760	18
Total taxes	4,316	4,089	227
Tax credits			
Federal Earned Income Credit	4,830	4,380	450 ***
Vermont Earned Income Credit	1,619	1,469	151 ***
Total credits	6,449	5,849	600 ***

SOURCES: MDRC calculations from Vermont and New Hampshire unemployment insurance earnings records, Vermont cash assistance records, Vermont Food Stamp records, Vermont Reach Up program participation records, DSW expenditures for fiscal years 1996 and 1998, Medicaid and related program expenditures from Office of Vermont Health Access, Vermont Medicaid-related administrative expenditures and eligibillity statistics from the Health Care Financing Administration Web site, the 42-Month Client Survey, and published information on employee fringe benefits, tax rates, and tax credits.

NOTES: Estimates reflect discounting and inflation adjustment.

Values were discounted at a rate of 5 percent annually and adjusted for inflation using GNP quarterly inflation rates for the follow-up period.

[a] Administration includes the cost of adminstering cash assistance and Food Stamp benefits.

[b] This estimate only reflects the benefits and costs of wages for CSE jobs. It does not include the administrative costs of processing the paychecks.

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Effects of programs such as WRP can generate gains from one perspective while generating losses from another. For example, a decrease in cash assistance payments is a financial loss from the perspective of the WRP group but a financial gain from the perspective of the government. The benefit-cost analysis examines the costs and benefits discussed above from three different perspectives: program participants (the WRP group), the government budget, and society as a whole. The societal perspective combines the perspectives of participants and the government.

Table 15 summarizes the gains and losses of WRP from the three different perspectives. As the second column of the table shows, savings from reduced public assistance benefits more than offset the costs of WRP, leaving the government with a financial gain of about $1,000 per WRP group member over six years. Said another way, for each $1.00 the government spent, it gained about $1.50. Social programs rarely save money for taxpayers; WRP did because its net cost was so low and it reduced welfare spending.

The first column of Table 15 shows that WRP group members' gains in earnings and fringe benefits, tax credits, and support services slightly exceeded their losses in public assistance, tax payments, and medical assistance. Over six years, WRP group members gained about $1,450 per person (for an average gain of about $240 per year). (This is basically the same result as that in the impact analysis presented earlier. That analysis found that WRP did not significantly increase income; the benefit-cost analysis considers additional sources of financial gains and does not test the gain for statistical significance.)

The third column of Table 15 combines the perspectives of the participants and the government budget. As the table shows, because participants and the government budget both gained from WRP, society gained as well.

Implementation and Effects for Two-Parent Families

This section presents the key findings for two-parent families with an *unemployed parent (UP)*. (Appendix G presents additional findings for two-parent UP families as well as findings for two-parent families with an incapacitated parent.)[52] The section begins with a brief description

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[52] See Appendix Table G.1 for findings on employment, public assistance, and income for two-parent families with an *incapacitated (incap)* parent (the table presents findings for the statewide sample). WRP requirements for these families were similar to those for single-parent families: The able-bodied parent in two-parent incap families was required to work after 30 months of cash assistance receipt, and the work requirement was preceded by a mandatory two-month job search. Overall, WRP's effects for two-parent incap families were similar to its effects for single parents: WRP increased earnings and decreased public assistance payments. However, unlike for single parents, the financial incentives contributed to the impacts among two-parent incap families. Survey results are not presented for these families because too few were surveyed to allow reliable analysis.

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Table 15

Six-Year Estimated Net Gains and Losses per WRP Group Member for Single-Parent Families, by Accounting Perspective (in 2000 Dollars)

	Accounting Perspective		
Component of Analysis	Participants ($)	Government Budget ($)	Society ($)
Cash assistance, Food Stamps, and administration[a]	-1,628	1,728	100
CSE jobs[b]	77	-77	0
Earnings and fringe benefits[c]	2,841	0	2,841
Income and sales tax[d]	-227	405	0
Tax credits	600	-600	0
Employment and training	0	-467	-467
Case management	0	-339	-339
Medical assistance and administration[e]	-720	833	112
Support services	517	-517	0
Net gain or loss (net present value)	1,459	966	2,247

SOURCES: MDRC calculations from Vermont and New Hampshire unemployment insurance earnings records, Vermont cash assistance records, Vermont Food Stamp records, Vermont Reach Up program participation records, DSW expenditures for fiscal years 1996 and 1998, Medicaid and related program expenditures from Office of Vermont Health Access, Vermont Medicaid-related administrative expenditures and eligibillity statistics from the Health Care Financing Administration Web site, the 42-Month Client Survey, and published information on employee fringe benefits, tax rates and tax credits.

NOTES: Costs for education and training operations were estimated using 1999 expenditure numbers.

Estimates reflect discounting and inflation adjustment.

Values were discounted at a rate of 5 percent annually and adjusted for inflation using GNP quarterly inflation rates for the follow-up period.

[a] Administration includes the cost of administering cash assistance and Food Stamp benefits.

[b] This estimate only reflects the benefits and costs of wages for CSE jobs. It does not include the administrative costs of processing the paychecks.

[c] This summary measure includes unemployment insurance payments.

[d] Employee-paid Social Security and Medicare taxes are included as income and sales taxes. The government budget perspective includes employer-paid Social Security and Medicare taxes.

[e] Medical assistance and administration includes payments and administration costs for Medicaid, transitional Medicaid, Dr. Dynasaur, and Vermont Health Assistance Program.

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of the implementation of WRP for two-parent UP families. Then it presents the program's effects on employment, public assistance, income, and other outcomes. It ends with a brief discussion of the costs and benefits of WRP for two-parent UP families.

Implementation for Two-Parent Families

The distinctions among the policies that applied to the three research groups (the WRP group, the WRP Incentives Only group, and the ANFC group) were much smaller for two-parent UP families than for single-parent families. All three research groups were required to participate in Reach Up — and, in some cases, to participate in part-time unpaid work assignments — throughout their time on welfare, and all three groups were subject to financial sanctions (cash grant reductions) if they failed to comply with Reach Up participation requirements.[53] In addition, the WRP group faced a full-time work requirement after 15 months of benefit receipt. Like the single parents, the unemployed parent in UP families was offered a CSE slot if he or she could not find unsubsidized work. As for single parents, few CSE slots were needed for two-parent families: Only 4 percent of the UP sample members in the WRP group took part in CSE within the six years following random assignment.

In addition to the changes in financial eligibility rules described earlier (for example, the enhanced earnings disregard), two-parent UP families in the WRP and the WRP Incentives Only groups could qualify for cash assistance without meeting certain nonfinancial eligibility rules that applied to the ANFC group. For example, under ANFC, two-parent families were eligible for cash assistance only if the principal wage-earner had a work history but was currently working fewer than 100 hours per month. These nonfinancial eligibility criteria did not apply to the two WRP groups, which made it easier for them to qualify for benefits.

DET operated the Reach Up program for two-parent UP families, and the program was much more employment-focused than the program for single-parent families. In fact, there were few opportunities for education or training, although the welfare districts used unpaid work experience to varying degrees. (Results presented in the 1998 interim report show that, for UP sample members, WRP increased participation in job search and job readiness activities but not education or training.)[54]

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[53] UP recipients in the WRP group were also subject to WRP's nonfinancial sanctions, described earlier in the report, if they failed to comply with the 15-month work requirement.

[54] See Table 6.2 in Bloom, Michalopoulos, Walter, and Auspos, 1998.

Effects on Employment, Public Assistance, and Income for Two-Parent Families

Six years of administrative records of cash assistance receipt, Food Stamp receipt, and quarterly earnings in UI-covered jobs are available for all 1,652 UP families in the report sample. Data on job characteristics and household income are available for 616 UP sample members who responded to the 42-Month Client Survey.[55] Like the previous sections, this section focuses on comparisons between the WRP group and the ANFC group, which show the effect of the full package of WRP services and requirements. (Appendix G presents results for two-parent UP families in the WRP Incentives Only group.)

- **WRP had few effects on employment, public assistance, or income for two-parent families with an unemployed parent.**

Table 16 presents the effects of WRP on employment, earnings, cash assistance, Food Stamps, and income from those sources for UP sample members. Comparing the outcomes for the two-parent ANFC group members with outcomes for the single-parent ANFC members (which are presented in Table 6) reveals some striking differences. Two-parent UP families in Vermont had substantially higher earnings and income and were less likely to receive cash assistance than single-parent families. For example, two-parent UP families in the ANFC group earned more than three times more than their single-parent counterparts in Years 1 and 2 ($11,351, compared with $3,482). During an average quarter in that same period, 45 percent of the two-parent ANFC group received cash assistance, compared with 67 percent of the single-parent ANFC group.

As Table 16 shows, WRP increased the proportion of two-parent sample members who received cash assistance during Years 1 and 2 and during Years 3 and 4. It also slightly increased cash assistance payments, although the increase is not statistically significant. Further analysis (Appendix Table G.2) shows that the increase in cash assistance receipt was generated by WRP's financial incentives and changes in eligibility rules. In contrast, as noted above, the effects for single parents were generated by the work requirement. It is not surprising that the work requirement had less effect on two-parent UP families, given that the ANFC group also had a work requirement.

Table 16 also shows that WRP did not affect employment levels or earnings for UP families.[56] This is likely because all the research groups had work-related requirements. Also, employment rates were high for the ANFC group, which left little room for WRP to generate change.

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[55] See Appendix C for the survey response analysis for UP sample members.

[56] WRP did not affect the distribution of earnings among UP families (Appendix Table G.3).

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Table 16

Impacts of WRP Over Time for Two-Parent Families with an Unemployed Parent

Outcome	WRP Group	ANFC Group	Difference (Impact)	Percentage Change (%)
Years 1-2				
Average quarterly employment, either parent (%)	72.4	72.8	-0.4	-0.5
Average quarterly percentage receiving cash assistance (%)	50.5	44.5	6.0 ***	13.4
Average quarterly percentage receiving Food Stamps (%)	67.4	67.8	-0.3	-0.5
Average annual earnings ($)	11,662	11,351	311	2.7
Average annual cash assistance payments ($)	2,756	2,554	201	7.9
Average annual Food Stamp payments ($)	1,763	1,806	-43	-2.4
Average annual income from earnings, cash assistance, and Food Stamps ($)	16,181	15,711	469	3.0
Average annual tax-adjusted income[a]	16,342	16,025	317	2.0
Years 3-4				
Average quarterly employment, either parent (%)	75.8	74.7	1.0	1.4
Average quarterly percentage receiving cash assistance (%)	32.0	27.3	4.7 **	17.2
Average quarterly percentage receiving Food Stamps (%)	49.1	49.5	-0.4	-0.8
Average annual earnings ($)	15,295	15,154	141	0.9
Average annual cash assistance payments ($)	1,591	1,420	171	12.0
Average annual Food Stamp payments ($)	1,264	1,311	-48	-3.7
Average annual income from earnings, cash assistance, and Food Stamps ($)	18,149	17,886	264	1.5
Average annual tax-adjusted income[a]	17,372	17,087	285	1.7
Years 5-6				
Average quarterly employment, either parent (%)	74.9	73.4	1.5	2.0
Average quarterly percentage receiving cash assistance (%)	21.4	20.2	1.2	6.0
Average quarterly percentage receiving Food Stamps (%)	35.8	37.2	-1.4	-3.9
Average annual earnings ($)	18,254	18,137	117	0.6
Average annual cash assistance payments ($)	1,127	1,179	-52	-4.4
Average annual Food Stamp payments ($)	916	982	-66	-6.7
Average annual income from earnings, cash assistance, and Food Stamps ($)	20,296	20,298	-1	0.0
Average annual tax-adjusted income[a]	18,573	18,397	176	1.0
Sample size	992	330		

(continued)

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Table 16 (continued)

SOURCES: MDRC calculations using data from Vermont and New Hampshire unemployment insurance earnings records, Vermont ANFC records, and Vermont Food Stamp records.

NOTES: Dollar averages include zero values for sample members who were not employed or were not receiving cash assistance or Food Stamps.

For families who received cash assistance, the state data system designated one parent as the principal earner. For families who did not receive ANFC, the present analysis assumed the male to be the principal earner, though that may not have been the situation in all such families.

Estimates were regression-adjusted using ordinary least squares, controlling for pre-random assignment characteristics of sample members.

A two-tailed t-test was applied to all estimated impacts. Statistical significance levels are indicated as: ***=1 percent; **=5 percent; and *=10 percent.

Rounding may cause slight discrepancies in calculating sums and differences.

[a]This measure includes income from earnings, cash assistance, and Food Stamps; federal, state, and payroll taxes; and the federal and state Earned Income Credits.

Because WRP did not significantly increase public assistance payments or earnings for two-parent UP families, it did not increase income from those sources. (The small increases shown in Table 16 are not statistically significant.)[57] Results from the 42-Month Client Survey (Appendix Table G.5), corroborate that WRP did not increase income among UP families. Survey results also show that WRP had no effect on job quality among these families.

Effects on Family and Child Outcomes for Two-Parent Families

The 42-Month Client Survey asked two-parent UP sample members a series of questions about family and child outcomes. WRP's effects on these outcomes are presented in Appendix H. As discussed above, WRP had little effect on UP families' employment or income; therefore, it would be surprising if the program substantially affected secondary family and child outcomes.

- **WRP had little effect on two-parent UP families' composition or material well-being.**

WRP had little effect on living arrangements, marital status, or child-bearing for two-parent UP families (Appendix Table H.1). Likewise, it had little effect on a wide range of hardship indicators, but the program did increase food security (Appendix Tables H.2, H.3, and H.4). UP sample members in the WRP group were less likely than those in the ANFC group to report that their family did not have enough to eat in the year before they were interviewed.

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[57] WRP's effects were similar for the statewide UP sample (Appendix Table G.4).

Given that WRP did not increase family income, it is unclear why it affected food security. The UP families in the WRP Incentives Only group also experienced an increase in food security. WRP had no effect on health coverage for UP families.

- **WRP had few effects on young children and adolescents in two-parent UP families.**

As noted above, recent research on welfare policies has found that welfare and employment programs that increase employment and family income have affected participants' children. WRP did not affect employment or income for two-parent UP families, so it is not surprising that it also had little effect on children in those families. WRP had little effect on UP families' use of child care (which was measured for children age 13 and younger) or on children's academic achievement or behavioral problems (Appendix Tables H.5 and H.6).

Costs and Benefits for Two-Parent Families

As part of the benefit-cost analysis, MDRC estimated the costs of providing WRP services to two-parent UP families and compared those costs with the program's financial benefits from the perspective of participants and the government budget.

- **WRP did not reduce public assistance spending for two-parent families with an unemployed parent, so the government budget lost money as a result of the program.**

WRP's services for two-parent UP families were relatively inexpensive. As discussed above, the program did not reduce public assistance payments for these families. As a result, the government did not recoup its investment in WRP for two-parent UP families, through welfare savings, as it did for single parents. Overall, the government lost about $800 per UP family in the WRP group over the six-year follow-up period (Appendix Table F.5). UP participants experienced a small gain from WRP — from small increases in public assistance, earnings and fringe benefits, increased medical assistance, and support services. (The small increases in public assistance and earnings that were measured in the impact analysis are not statistically significant.)

Implications of the Findings

The WRP evaluation offers some lessons about welfare-to-work strategies, financial incentives, and work requirements.

Welfare-to-Work Strategies and Outcomes for Families

The foregoing results illustrate that there are diverse paths to the broadly accepted goals of increasing employment and reducing reliance on public assistance. Unlike other states, Vermont under WRP did not require single parents on welfare to work until they had received cash assistance benefits for 30 months, did not use grant reductions or closures to enforce these requirements, did not require full-time work for most single parents, and did not set a time limit on cash assistance receipt. Nevertheless, WRP increased employment and, eventually, reduced welfare payments. Because the net cost of the program was low, WRP actually saved money for taxpayers — an unusual achievement for any social program.

While WRP increased work, it did not make families better off financially or substantially improve their material well-being. Like previously studied programs that have increased parents' employment levels but not their income, WRP also did not substantially affect participants' children. However, it is worth noting that low-income families in Vermont may be better off than in some other states: Vermont's welfare grant levels are among the highest in the nation, and the state offers an unusually generous set of supports for low-income working families.

The evaluation also offers evidence that a welfare-to-work program can be operated successfully in rural areas. WRP increased work and decreased the use of public assistance across most of the state's welfare districts, some of which are markedly rural.

Financial Incentives

Previous studies have found that financial incentives can increase employment and income.[58] WRP's incentives, however, had little effect on participants; the work requirement was needed to generate the observed effects for single-parent families. Such findings, however, should not be taken as an indictment of financial incentives. As noted above, WRP's incentives were not substantially different from what was available to the ANFC group. The evaluation's results suggest that financial incentives that are offered as part of a special program will make a difference for families only if they are substantially different from services available to other families.

Time-Triggered Work Requirements and Community Service Employment

Under PRWORA, states are required to engage all cash assistance recipients in work — as defined by the state — after they have received benefits for 24 months. Some locales, including Pennsylvania and Los Angeles, have a CSE program to provide subsidized positions for recipients who cannot find unsubsidized work.

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[58] See Bloom and Michalopoulos, 2001.

When WRP was designed, planners believed that its success would hinge on Vermont's ability to create a large-scale CSE program for recipients who could not find unsubsidized employment after receiving benefits for 30 months (or 15 months, for two-parent families). In fact, WRP's work requirement was implemented largely as intended, but very few CSE positions were needed. Only 3 percent of the single-parent WRP group (and 4 percent of the two-parent WRP group) ever worked in a CSE position during the six-year study period. Across the state, the maximum number of people working in CSE slots never exceeded 70 in any one month.

There are two main reasons why so few CSE slots were needed. First, a majority of recipients never became subject to the work requirement: Only 46 percent of the single-parent WRP group received cash assistance for 30 months or more. The proportion was nearly the same for the ANFC group (45 percent), suggesting that the strong economy and broad changes in Vermont's welfare system that affected all three research groups were the key factors that spurred people to leave welfare sooner than anticipated. Obviously, if Vermont had required work at an earlier point, more recipients would have been subject to the requirement.

Second, of those who reached the 30-month point, most who were required to work were able to find unsubsidized jobs; most single-parent recipients were required to work only part time, and jobs were readily available in most areas of the state. Some other recipients were exempted from the work requirement or were sanctioned for failing to comply with the requirement.

In sum, the WRP evaluation provides evidence that it is possible to impose a work requirement on a broad cross-section of the welfare caseload without creating a large subsidized employment program. As noted, however, Vermont did not require work until after 30 months of welfare receipt, so that most recipients never became subject to the requirement. Also, Vermont's economy was very strong during the study period, and jobs were readily available.[59]

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[59] For a detailed discussion of Vermont's CSE program, see Sperber and Bloom, 2002.

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Reforming Welfare and Making Work Pay

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A collaboration among researchers at MDRC and several other leading research institutions focused on studying the effects of welfare, antipoverty, and employment policies on children and families.

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A multifaceted effort to assist states and localities in designing and implementing their welfare reform programs. The project includes a series of "how-to" guides, conferences, briefings, and customized, in-depth technical assistance.

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MDRC's current projects focus on welfare and economic security, education, and employment and community initiatives. Complementing our evaluations of a wide range of welfare reforms are new studies of supports for the working poor and emerging analyses of how programs affect children's development and their families' well-being. In the field of education, we are testing reforms aimed at improving the performance of public schools, especially in urban areas. Finally, our community projects are using innovative approaches to increase employment in low-income neighborhoods.

Our projects are a mix of demonstrations — field tests of promising program models — and evaluations of government and community initiatives, and we employ a wide range of methods to determine a program's effects, including large-scale studies, surveys, case studies, and ethnographies of individuals and families. We share the findings and lessons from our work — including best practices for program operators — with a broad audience within the policy and practitioner community, as well as the general public and the media.

Over the past quarter century, MDRC has worked in almost every state, all of the nation's largest cities, and Canada. We conduct our projects in partnership with state and local governments, the federal government, public school systems, community organizations, and numerous private philanthropies.

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